

Hanoi, 22 October 2007

**DECISION  
ISSUING REGULATIONS ON  
REGISTRATION, DEPOSITORY, CLEARING  
AND SETTLEMENT OF SECURITIES**

**The Minister of Finance**

Pursuant to the *Law on Securities* 70-2006-QH11 of the National Assembly dated 29 June 2006;

Pursuant to Decree 77-2003-ND-CP of the Government dated 1 July 2003 on the functions, duties, powers and organizational structure of the Ministry of Finance;

On the proposal of the Chairman of the State Securities Commission;

**Decides:**

**Article 1**

To issue with this Decision the *Regulations on Registration, Depository, Clearing and Settlement of Securities*.

**Article 2**

This Decision shall be of full force and effect fifteen (15) days from the date of its publication in the Official Gazette, and shall replace Decision 60-2004-QD-BTC of the Minister of Finance dated 15 July 2004 issuing the *Regulations on Registration, Depository, Clearing and Settlement of Securities*.

**Article 3**

The Chairman of the State Securities Commission, the Head of the Office of the Ministry of Finance, heads of relevant units under the Ministry of Finance, directors of Securities Depository Centres, depository members and other related parties shall be responsible for implementation of this Decision.

For the Minister of Finance  
Deputy Minister  
TRAN XUAN HA

**REGULATIONS**  
**ON**  
**REGISTRATION, DEPOSITORY, CLEARING**  
**AND SETTLEMENT OF SECURITIES**

*(Issued with Decision 87-2007-QD-BTC of the Minister of Finance dated 22 October 2007)*

**I. General Provisions**

**Article 1** *Governing scope*

These Regulations govern the principles for and contents of registration, depository, clearing and settlement of securities applicable to Securities Depository Centres (hereinafter abbreviated to *the SDC*), to members of a SDC, to issuing organizations, to paying banks and to clients who register and deposit securities.

**Article 2** *Interpretation of terms*

In these Regulations, the following terms shall be construed as follows:

1. *Securities certificates* means securities issued in the form of a physical certificate which records information about legal ownership of the securities holder.
2. *Securities book entry* means securities issued in the form of a book entry or electronic data. Information about legal ownership of the securities holder shall be recorded in the register of securities holders.
3. *Register of securities holders* means the book which records information about securities holders and is prepared by the issuing organization and registered with the SDC.
4. *Securities holder* means the person whose name appears in the register of securities holders at the SDC.
5. *Securities certificate or account* means a written document issued by the issuing organization to a securities holder and recording a serial number in order to certify information about ownership of the securities at any specified time.
6. *Member of the SDC (member)* means a depository member and a member who opens a direct account at the SDC.
7. *Bilateral clearance* means the method of clearing securities transactions which have been matched during the same day between any two trading parties with respect to the one type of securities, in order to determine the net monetary sum and securities which must be settled by both parties.
8. *Multilateral clearance* means the method of clearing securities transactions which have been matched during the same day between all trading parties with respect to the one type of securities, in order to determine the net monetary sum and securities which must be settled by both parties.

9. *Net payment obligation* means the amount of money or securities which the payer of a transaction is obliged to actually pay based on the results of clearing the securities transaction.
10. *Bailment of securities* means bringing securities to the SDC for central depository in order to conduct trading of such securities.
11. *Valuable papers* comprise both short term and long term valuable papers used in currency market transactions between the State Bank with depository clients as regulated by the Governor of the State Bank.
12. *Paying bank* means any bank selected by the State Securities Commission (hereinafter abbreviated to SSC) in order for a SDC and members of a SDC to open a payment account at such bank to facilitate monetary payments for securities transactions conducted on the Stock Exchange (hereinafter abbreviated to SE) or on a Securities Trading Centres (hereinafter referred to as STC) and for other payment activities.
13. *Valid application file* means a file containing all the documents and with all items fully declared as required by the regulations.

## CHAPTER II

### Registration of Depository Operations

#### **Article 3** *Conditions for registration of a securities depository operation*

Any securities company or commercial bank wishing to register a securities depository operation must satisfy the conditions stipulated in article 48 of the *Law on Securities*.

#### **Article 4** *Application files for registration of a securities depository operation and of a branch providing securities depository services*

1. A securities company or commercial bank shall lodge the following application file with the SSC:
  - (a) Request for registration of the securities depository operation, on the standard form issued in Appendix 01-LK to these Regulations.
  - (b) Copy licence for establishment and operation.
  - (c) Explanation of the material and technical facilities adequate for the operation, on the standard form in Appendix 02-LK to these Regulations.
  - (d) Audited financial statements for the most recent year, unless the securities company is newly established.
2. A securities company or commercial bank shall lodge the following application file with the SSC in order to register a branch providing securities depository services:
  - (a) Copy certificate of registration of the securities depository operation of the securities company or commercial bank issued by the SSC.
  - (b) Request for registration of a branch providing securities depository services, on the standard form in Appendix 03-LK to these Regulations.
  - (c) Explanation of the material and technical facilities adequate for the operation at the branch, on the standard form in Appendix 02-LK to these Regulations.
  - (d) Power of attorney [from the securities company or commercial bank] to the branch to provide services, on the standard form in Appendix 04-LK to these Regulations.

**Article 5** *Time-limits for issuance of certificates of registration and for commencing the securities depository operation*

1. The time-limit for the SSC to issue a certificate of registration of a securities depository operation to a securities company or commercial bank shall be fifteen (15) days from the date on which the SSC receives a valid application file. In a case of refusal, the SSC shall provide a written explanation of its reasons.
2. The time-limit for the SSC to provide approval for the branch of a securities company or of a commercial bank to provide securities depository services shall be ten (10) days from the date the SSC receives a valid and complete application file. In a case of refusal, the SSC shall provide a written explanation of its reasons.
3. A securities company or commercial bank must conduct procedures to register members at the SDC and to commence its operation within a time-limit of twelve (12) months from the date on which it is issued with a certificate of registration of its securities depository operation.
4. The securities company or commercial bank must conduct procedures to register its branch depository members with the SDC within a time-limit of three (3) months from the date on which approval is provided for the branch to provide securities depository services.

**Article 6** *Suspension and revocation of a certificate of registration of a securities depository operation*

1. Any suspension or revocation of a certificate of registration of a securities depository operation shall be implemented in accordance with article 51 of the *Law on Securities*.
2. The SSC shall provide a written notice terminating the depository operation of the branch of a securities company or of a commercial bank in the following circumstances:
  - (a) The certificate of registration of the securities depository operation of the securities company or commercial bank has been revoked.
  - (b) Failure to conduct procedures for registration of branch depository members with the SDC as stipulated in article 5.4 of these Regulations.
  - (c) Breach of the rules of the SDC and revocation of the branch member's depository certificate.

CHAPTER III

**Members of Securities Depository Centres**

**Article 7** *Conditions for registration of depository members*

1. A securities company or commercial bank must satisfy all the following conditions in order to register as a depository member of a SDC:
  - (a) Having a certificate of registration of its securities depository operation issued by the SSC.
  - (b) Having at least one member of the Board of Executors who is allocated with responsibility for securities depository, registration, and clearing activities.
  - (c) Having staff who have participated in professional training courses held by the SDC.
  - (d) Having professional rules and a system of material facilities and software which meets the requirements of the SDC.
2. The branch of a securities company or commercial bank must satisfy all the following conditions if it wishes to register to provide securities depository services:
  - (a) The conditions stipulated in sub-clauses (b), (c) and (d) of clause 1 above.

- (b) Having received approval from the SSC for its securities depository operation.
  - (c) Having a power of attorney from the securities company or commercial bank to the branch to provide the services, on the standard form in Appendix 04-LK to these Regulations.
3. Depending on the specific conditions, the SDC may provide other rules on conditions for approving depository members and branch depository members after such rules have been approved by the SSC.

**Article 8** *Registration of depository members and of depository member branches*

- 1. The SDC shall provide specific rules on registration of depository members and of depository member branches.
- 2. The SDC must report to the SSC on registration of depository members and of depository member branches within one (1) working day of issuance of a certificate to a depository member or of grant of approval to a branch.

**Article 9** *Registration of members opening a direct account*

- 1. The following institutions shall be permitted to register as members opening a direct account at the SDC:
  - (a) The State Bank.
  - (b) The State Treasury.
  - (c) The State Capital Investment Corporation (SCIC).
  - (d) Credit institutions and insurers participating in the bond market held by the Stock Exchange [and/or] a Securities Trading Centre.
  - (e) Foreign [i.e. overseas] Depository Centres.
  - (f) Other entities as stipulated by the SDC.
- 2. A member opening a direct account being the State Bank shall open an account in order to deposit securities being all types of valuable papers owned by the State Bank and by depository clients of the State Bank in order to facilitate currency market transactions.
- 3. The members opening a direct account as stipulated in sub-clauses (b), (c) and (d) of clause 1 above shall open accounts in order to deposit securities which they themselves own, and they shall be permitted to use the depository, registration, clearing and settlement services of the SDC.
- 4. The SDC shall provide rules on the procedures for registration of members opening a direct account at the SDC.

**Article 10** *Services contract between the SDC with a member*

- 1. The SDC shall provide services to its members on the basis of a contract signed by the SDC with a member, and the contract shall contain the following main particulars:
  - (a) The specific services to be provided.
  - (b) The responsibilities of the SDC and of the member of the SDC.
  - (c) Dispute resolution provisions.
  - (d) Provisions on termination of the contract.

2. The SDC shall provide rules on the specific detailed contents of a services contract between the SDC with a member.

**Article 11** *Temporary suspension of the operation of a member*

The SDC shall temporarily suspend the operation of a member, after obtaining approval from the SSC, in the following circumstances:

1. The member has regularly breached the rules of the SDC.
2. In the case of deficiencies or shortcomings which have caused serious loss to clients.

**Article 12** *Circumstances in which a certificate of registration of membership of the SDC will be revoked*

[A certificate of registration of membership of the SDC shall be revoked in the following circumstances:]

1. The member voluntarily terminates its status as a member and the SDC approves.
2. The member fails to remedy breaches at the expiry of a period of temporary suspension, at the request of the SDC and SSC.
3. The member's licence for establishment and operation has been withdrawn.
4. A member fails to maintain all the conditions for registration of its securities depository operation as stipulated in article 48 of the *Law on Securities* throughout the process of the operation (applicable to a depository member).
5. In a case of demerger, merger, consolidation, conversion, dissolution or bankruptcy.
6. The member registered but failed to commence operation as stipulated in article 5.3 of these Regulations.
7. The member breached the membership rules of the SDC, including contractual breach of the services contract between the SDC and the member leading to termination of membership status.
8. The SSC revoked the member's certificate of registration of its securities depository operation as stipulated in article 51.2 of the *Law on Securities* (applicable to a depository member).

**Article 13** *Circumstances in which a certificate of registration of a branch member of the SDC will be revoked*

[The certificate of registration of a branch member of the SDC shall be revoked in the following circumstances:]

1. The depository member voluntarily requests termination of the branch depository operation, and the SDC agrees.
2. The depository member terminates the branch operation at the request of a competent authority.
3. The branch depository member breached the rules of the SDC and failed to remedy the breach despite a written reminder or warning from the SDC.

## CHAPTER IV

### Securities Registration

#### **Article 14** *Securities registration at the SDC*

1. The following types of securities must be registered at the SDC:
  - (a) Securities of public companies and of listed organizations.
  - (b) Government bonds listed on the Stock Exchange or a Securities Trading Centre.
  - (c) Bonds of economic institutions and of local authorities listed on the Stock Exchange or a Securities Trading Centre.
  - (d) Fund investment certificates listed on the Stock Exchange.
  - (e) Other types of securities which must be registered at the SDC pursuant to an agreement reached between the SDC and the issuing organization.
2. Securities shall be registered at the SDC in the form of entry into a register.
3. The SDC shall issue a code number for securities which are registered with it, and this code number shall be uniformly used when listing at the Stock Exchange or a Securities Trading Centre.

#### **Article 15** *Information on registered securities, and entities eligible to lodge an application file for registration at the SDC*

1. Issuing organizations shall register the following information about their securities with the SDC:
  - (a) Information about the issuing organization.
  - (b) Information about the securities being issued.
  - (c) Information about the list of securities holders.
2. The following entities shall be eligible to lodge application files for registration:
  - (a) Issuing organizations with listed securities shall conduct procedures to register their securities directly with the SDC.
  - (b) Unlisted public companies shall register their securities via a depository member being a securities company.
3. The SDC shall provide specific rules on the items regulated in clauses 1 and 2 of this article.

#### **Article 16** *Management of information about registered securities*

1. The SDC shall centrally manage information about registered securities or shall delegate this function to a depository member by signing a contract with such member to represent the SDC in conducting management.
2. The SDC shall provide specific rules on management of information about registered securities in accordance with the following principles:
  - (a) Any change in the information about registered securities must be implemented in accordance with the rules of the SDC on management of information.
  - (b) The SDC shall stipulate the maximum time-limit for amending information about ownership of securities after they have been registered with the SDC.

- (c) Issuing organizations shall be entirely responsible for the accuracy, completeness and promptness of information about securities which they register with the SDC.

**Article 17** *Services contract between the SDC with an issuing organization*

1. The SDC may supply services to an issuing organization on the basis of a contract in order for the SDC to represent the issuing organization in conducting the work of managing information about securities holders and in exercising rights of such holders. The contract shall contain the following main particulars:
  - (a) Details of the services being provided.
  - (b) Responsibilities of the SDC and of the issuing organization.
  - (c) Dispute resolution provisions.
  - (d) Provisions on termination of the contract.
2. The SDC shall provide detailed rules on the contents of services contracts between the SDC and issuing organizations.

**Article 18** *Transfer of ownership of securities*

1. Transfer of ownership of securities registered at the SDC shall be conducted in accordance with the following principles:
  - (a) An owner of securities which have been registered at the SDC but not yet deposited and who wishes to transfer ownership of such securities must arrange for depository at the SDC in order for the securities to be purchased and sold on the Stock Exchange or a Securities Trading Centre.
  - (b) The SDC may transfer ownership of undeposited securities other than by trading them on the Stock Exchange or a Securities Trading Centre in the following cases:
    - Donation or bequeathing of securities in accordance with civil law.
    - Trading of an odd parcel of securities as stipulated in the law on securities and securities market.
    - When an issuing organization redeems preferential shares of its staff on termination of a labour contract.
    - On demerger, merger, consolidation or capital contribution by shares to establish an enterprise or restructuring the financial management regime of an enterprise in accordance with the civil law, the *Law on Enterprises* and the *Law on Securities*.
    - In other cases of transfer of ownership as decided by the director of the SDC after obtaining approval from the SSC.
2. The time of effectiveness of a transfer of ownership of securities at the SDC shall be as regulated in article 54.2 of the *Law on Securities*.
3. The SDC shall provide rules on the application file and procedures for transfer of ownership of registered securities.



**Article 19** *Cancellation of registration of securities*

1. Registration of securities at the SDC shall be cancelled in the following cases:
  - (a) The term of circulation of the securities has expired.
  - (b) Securities of a public company have been registered at the SDC but the company no longer satisfies the conditions for public company status and requests cancellation of registration.
  - (c) An issuing organization other than a public company voluntarily cancels registration of the securities.
2. The SDC shall provide rules on the procedures for cancellation of registration of securities.

**Article 20** *Exercise of the rights of securities holders*

1. An issuing organization may authorize the SDC to conduct procedures to exercise the following rights of securities registered at the SDC, and the issuing organization shall be entirely responsible for any decisions relating to the exercise of such rights of the securities holders:
  - (a) Voting rights.
  - (b) The right to receive bond principal and interest and share dividends in money.
  - (c) The right to receive dividends in shares or bonus shares.
  - (d) The right to purchase additionally issued shares.
  - (e) The right to convert convertible bonds.
  - (f) The right to change the name of, or to split or consolidate shares.
  - (g) Other rights as stipulated by law.
2. Only people whose names appear on the last date for registration in the register of securities holders kept by the SDC shall be permitted to receive rights arising from such securities.
3. The last date for registration means the date fixed by the issuing organization or by the SDC on the basis of authorization from the issuing organization to certify the list of holders entitled to rights, and consistent with the provisions of law.
4. The SDC, depository members and issuing organizations shall be responsible to exercise rights of holders of securities registered [and/or] deposited at the SDC, and they shall be responsible, within the scope of their liability, for loss caused to securities holders due to failure to correctly comply with the provisions on exercise of the rights of securities holders in these Regulations, or in the professional rules of the SDC on registration, depository, clearing and settlement of securities.
5. The SDC shall provide rules on procedures for exercise of the rights of securities holders.

## CHAPTER V

### Securities Depository

#### **Article 21** *Principles for securities depository*

1. The deposit of securities by clients at the SDC shall be managed at two levels, namely the clients shall deposit the securities with a depository member, and the latter shall re-deposit the securities of the client with the SDC.
2. A depository member shall receive securities for deposit from clients in the member's capacity as the person authorized by the client to conduct the professional operation of registration, depository, clearing and settlement of the securities. A client must sign a contract to open a securities depository account with the depository member in order to deposit securities.
3. The SDC shall in turn receive the deposit of securities from depository members in the former's capacity as the entity authorized by the member to conduct professional activities relating to the operation of registration, depository, clearing and settlement of securities. A member must open a securities depository account in the name of such member with the SDC, in order to re-deposit securities.

#### **Article 22** *Opening a securities depository account*

1. A member of the SDC must open a securities depository account at the SDC in order to trade deposited securities. Each member of the SDC may only open one such account, and may not open a second securities depository account with another depository member.
2. An investor shall only be permitted to open one unique account with a depository member, except in the following cases:
  - (a) A fund management company must open a separate securities depository account for the company and a separate account for each fund which the company manages. If a fund management company manages an investment portfolio, then it must open two depository accounts in the name of such company at a depository bank on behalf of entrusting investors (one account for domestic entrusting investors, and one account for foreign entrusting investors).
  - (b) A foreign investor being a foreign securities company established in accordance with foreign law shall be permitted to open two separate securities depository accounts with a depository member in order to manage the securities belonging to the company itself and the securities belonging to clients of the company.
  - (c) A one hundred per cent (100%) foreign owned insurer must open two securities depository accounts with the one depository member in order to separately manage investment items from capital owned by the company and investment items from insurance premiums when such company invests on the securities market.
3. Investors being foreign organizations and individuals shall be permitted to open a securities depository account with a depository member after they have registered a securities trading number in accordance with law.
4. The SDC shall provide rules on the procedures for opening securities depository accounts at the SDC.

**Article 23** *Securities depository accounts of members at the SDC*

1. The types of securities depository accounts of members at the SDC shall comprise:
  - (a) Securities trading account.
  - (b) Account for temporary suspension of transactions.
  - (c) Pledge account.
  - (d) Impounding account.
  - (e) Account for transactions awaiting payment.
  - (f) Escrow account awaiting withdrawal.
  - (g) Account awaiting trading.
  - (h) Account for amending transactions.
  - (i) Other accounts in accordance with law.
2. The securities depository accounts stipulated in clause 1 of this article shall be classified as follows:
  - (a) Securities depository accounts of the depository member itself.
  - (b) Securities depository accounts for domestic clients of the depository member.
  - (c) Securities depository accounts for foreign clients of the depository member.
3. Any security depository account of a depository member opened at the SDC must contain the following particulars:
  - (a) Serial number of the account.
  - (b) Name and address of the depository member.
  - (c) Quantity, type and code of the deposited securities.
  - (d) Quantity of deposited securities which have increased or reduced, and the reason why.
  - (e) Other necessary information.

**Article 24** *Management of securities depository accounts at the SDC*

1. The SDC shall manage securities depository accounts in accordance with the following principles:
  - (a) Securities deposited with the SDC are assets belonging to clients, and must be managed separately from assets of the SDC.
  - (b) The SDC must not use securities of clients for the benefit of the SDC or of third parties.

2. The SDC shall only make accounting entries in securities depository accounts when the source documents are original, complete and valid vouchers.
3. The total balances in securities depository accounts of clients opened with depository members must continually be matched against the balance of the securities deposited by members in the accounts which such members have opened with the SDC.
4. A member must immediately notify the SDC of any change or error in information about the securities deposited in securities depository accounts.
5. The SDC must immediately notify a member if it discovers an error in the information about securities in securities depository accounts of such member, in order for the latter to make the appropriate corrections.

**Article 25** *Securities depository accounts of clients opened with depository members*

1. Securities depository accounts of clients opened with depository members shall comprise the following [types]:
  - (a) Securities trading accounts.
  - (b) Accounts for temporary suspension of transactions.
  - (c) Pledge accounts.
  - (d) Impounding accounts.
  - (e) Accounts for transactions awaiting payment.
  - (f) Escrow accounts awaiting withdrawal.
  - (g) Accounts awaiting trading.
  - (h) Accounts for amending transactions.
  - (i) Other accounts in accordance with law.
2. Any securities depository account of a client opened with a depository member must contain the following particulars:
  - (a) Serial number of the securities depository account.
  - (b) Name and address of the account owner.
  - (c) Identity card number in the case of a Vietnamese client and passport number in the case of a foreign client, and number of business registration certificate or of establishment licence in the case of a client which is an organization.
  - (d) Quantity of securities, their type and code number.
  - (e) Quantity of increased or decreased securities, and the reason why.
  - (g) Other necessary information.

**Article 26** *Management of securities depository accounts opened with depository members*

1. A depository member must manage the securities depository accounts of clients in accordance with the following principles:
  - (a) The depository member must open a detailed securities depository account for each client and must manage separately the assets of each client.
  - (b) Securities deposited by a client with a depository member remain assets belonging to the client and must be managed separately from assets of the depository member.
  - (c) A depository member must not use securities in the securities depository account of a client for the benefit of such member or of a third party.
  - (d) The depository member shall be responsible to promptly and fully notify the client of any rights arising in relation to the deposited securities.
  - (e) A depository member shall be responsible to continue to discharge obligations owing to its client in a case where the client closes its account and transfers it to a new member but rights being the receipt of money and securities continue to be allocated to the account of the former depository member.
2. A depository member must send each client a list of the securities in the client's depository account within one (1) business day of receipt of a request from the client.
3. Clients shall be responsible to immediately notify their depository member if there is any change or error in information about the securities depository account of such client with the member.

**Article 27** *Effectiveness of deposit of securities*

1. The deposit of securities shall take effect at the SDC as from the time the SDC makes the appropriate book entry in the relevant securities depository account of the depository member opened at the SDC.
2. The accounting or transfer of securities by book entry between securities depository accounts of members or of clients at the SDC shall have the same legal effect as a physical transfer of securities recognized by law.
3. Securities shall not be permitted to be traded or sold until the SDC makes an accounting entry into the securities trading account of the member.

**Article 28** *Bailment of securities*

1. The bailment of securities by clients with the SDC shall be implemented in accordance with the following principles:
  - (a) Clients may bail their securities with the SDC via the depository member with whom they have opened an account.
  - (b) A depository member shall be responsible to conduct procedures to receive securities bailed by a client and to rebail them with the SDC within one (1) business day from the date of receipt of a valid securities bailment application file from the client.
  - (c) The SDC shall be responsible to process the securities bailment application file within one (1) business day from the date of receipt of a valid file from the member.
  - (d) The SDC shall provide rules on the application file and procedures for bailment of securities by members with the SDC.

2. Any member or client who invalidly bails securities, or who bails securities which are forged or stolen or which contain insufficient information as required, shall be entirely responsible for bailment of such number of securities and must pay compensation to parties suffering loss arising from the bailment.

**Article 29** *Withdrawal of securities*

1. A client shall only be permitted to request withdrawal of securities within the scope of [i.e. below or equal to] the number of the securities the client owns in the depository account, except where securities are currently impounded or pledged.
2. A depository member must transfer to the SDC an application for withdrawal of securities within one (1) business day from the date the member receives a valid application file from the client.
3. The SDC shall be responsible to process withdrawal of securities within one (1) business day from the date of receipt of a valid application file from the member.
4. The client shall have the right to rescind its request for withdrawal of the securities in the period of time awaiting actual withdrawal.
5. The SDC shall withdraw securities by taking out the same form of securities which the issuing organization registered at the SDC.
6. The SDC shall provide rules on procedures for withdrawal of securities at the SDC.

**Article 30** *Transfer of securities*

1. The SDC may transfer [remit] deposited securities other than via the central trading system of the Stock Exchange or a Securities Trading Centre in the following circumstances:
  - (a) Trading of an odd parcel of securities as stipulated by the law on securities and securities market.
  - (b) Closure of an account of one depository member by transferring it to an account of another depository member.
  - (c) Remittance to facilitate the trading of valuable papers on the currency market.
  - (d) Remittance in order to provide assistance and to provide a securities loan.
  - (e) Remittance in order to realize securities which have been pledged in accordance with a pledge contract.
  - (f) Donation or bequeathing securities in accordance with the civil law.
  - (g) Demerger, merger, consolidation or capital contribution by shares to establish an enterprise or restructuring the financial management regime of an enterprise in accordance with the civil law and the *Law on Enterprises*.
  - (h) An issuing organization redeems preferential shares of its staff on termination of a labour contract.
  - (i) The depository member in the place where the client has opened the account has its membership status rescinded, or its certificate of depository operation revoked or its status as a depository member rescinded by the SDC.
  - (k) Other cases of transfer of ownership as decided by the director of the SDC after obtaining approval from the SSC.
2. A depository member must lodge the application file for transfer of securities with the SDC within one (1) business day of the date on which the member receives a request for transfer from the client.

3. The SDC shall be responsible to process an application file for transfer of securities within one (1) business day from the date of receipt of the valid application file from the member in cases stipulated in sub-clauses (a), (b), (c), (d) and (e); and within a maximum of five (5) business days in the case of a transfer as stipulated in sub-clauses (f), (g), (h), (i) and (k) of clause 1 above.
4. The SDC shall provide rules on the application file and procedures for transfer of securities at the SDC.
5. In the case of purchases and sales implemented via the trading system of the Stock Exchange or a Securities Trading Centre, the [remittance or] transfer of securities in order to make payment for the transaction shall be implemented in accordance with the provisions on clearing and settling securities in Chapter VI of these Regulations.

**Article 31** *Pledge and discharge of a pledge of securities*

1. A pledge of securities centrally deposited at the SDC shall be implemented on the basis of a pledge contract and the securities must be registered for trading at the SDC in accordance with current regulations on registration of security transactions.
2. Any authorization made by the pledgor and pledgee to a depository member in the latter's capacity as the third party managing the pledged securities shall be implemented in accordance with the provisions in the securities pledge contract signed between the parties. The parties may request the discharge of all or a part of the pledged securities.
3. Any pledge or discharge of a pledge of securities of a client of a depository member shall be conducted at that depository member where an account has been opened. The SDC shall implement the pledge or discharge of a pledge of securities on the basis of a list of the pledged securities and shall discharge the pledge on receipt of confirmation from the pledgee.
4. A pledge of securities shall only take effect after the SDC has made the book entries for transfer of securities from the securities trading account of the member for the pledgor to the pledged securities account of the same member.
5. The discharge of a pledge of securities shall take effect when the SDC makes a book entry transferring the securities from the pledged securities account to the trading securities account of the member of the pledgor.
6. A depository member must lodge the application file for pledge or discharge of a pledge of securities with the SDC within one (1) business day from the date of receipt of a valid request from the client. The SDC shall be responsible to process the application for pledge or discharge of a pledge of securities within one (1) business day from the date of receipt of a valid application file from the member.
7. The SDC shall provide rules on the procedures for pledge, for discharge of a pledge of securities, and for registration of security transactions.

CHAPTER V

**Securities Clearing and Settlement**

**Article 32** *Clearing and settling securities transactions*

1. The SDC shall conduct settlement on the basis of multilateral or unilateral clearance of each transaction of listed securities and of each transaction of unlisted securities of a public company.
2. The SDC shall conduct clearance separately for each type of securities, separately for the brokerage account of a domestic client, separately for the brokerage account of a foreign client, and separately for the self-trading account of a depository member.

3. The SDC shall conduct settlement of the purchase and sale of listed securities based on the trading results supplied by the Stock Exchange or Securities Trading Centre.
4. In the case of purchase and sale of unlisted securities of a public company, the SDC shall conduct settlement of the transaction based on the results of trading by the investor held at the public company and remitted to the SDC via the Securities Trading Centre.
5. The Director of the SDC shall make a decision on application of methods of settlement at the SDC after receiving approval from the SSC.
6. The SDC shall provide rules on the order and procedures for settling securities transactions held on the Stock Exchange and Securities Trading Centres.

**Article 33** *Settlement of transactions by members*

1. Members of the SDC must open a clearing account at a paying bank in order to make monetary payments for securities transactions on the principle that trading of listed securities must be separate from trading of securities of unlisted public companies.
2. The depository bank shall conduct settlement of a transaction in a case where a client opens a securities depository account with a depository member being a commercial bank and the client places a trading order via a securities company.
3. In a case where a depository member fails to correctly implement the principles on management and clearance of transactions in accordance with law, resulting in a deficiency of money or securities in order to conduct settlement, then such depository member shall be obliged to settle such transaction in lieu of the client.

**Article 34** *Comparing and verifying transactions*

1. The SDC shall be responsible to notify the results of trading to depository members after the SDC receives such results from the Stock Exchange or Securities Trading Centre.
2. A depository member shall be responsible to conduct a detailed comparison of the transaction between the original order retained by the member and the trading results notified by the SDC, and shall be responsible to re-verify the results with the SDC.

**Article 35** *Rectifying errors after trading of listed securities*

1. The SDC shall conduct post-trading rectification in the following cases:
  - (a) A depository member being a securities company places an incorrect order from a client such as providing the incorrect account number of the client, the incorrect type of securities, or the incorrect price; or places an order for purchase when it should have been an order for sale or vice versa, provides the incorrect number of securities, or the wrong settlement date and the wrong settlement method.
  - (b) The member of the SDC failed to check the ratio of deposited securities as required by the regulations resulting in a shortfall of securities or money in order to conduct settlement of the transaction.
2. Post-trading rectification of errors shall be conducted in accordance with the following principles:
  - (a) In a case where the depository member rectifying the error has a self-trading account, the trading order of a client shall be rectified by the SDC to become a self-trading order of the depository member.
  - (b) In a case where the depository member rectifying the error does not have a self-trading account, the SDC shall open an assisting account for the member in order to provisionally account for the number of securities which such member must receive or pay for in order to make the rectification. This regime shall be implemented as follows:



- On receipt of securities as a result of the rectification, the depository member shall be obliged to immediately sell them at the next trading session in order for the SDC to close the assisting account.
  - When a depository member is obliged to refund the number of securities lent or received by way of assistance, then the depository member shall be permitted to maintain the assisting account up until discharge of this obligation to the party which lent the securities or provided them by way of assistance.
3. In the case of any error not covered by the cases stipulated in clause 1 above, the Director of the SDC shall have authority to deal with such error after obtaining approval from the SSC.
  4. The SDC shall provide rules on the application file, order and procedures for rectifying errors after trading of listed securities.

**Article 36** *Obligations of parties involved during rectification of errors after trading*

1. Parties to a transaction shall be responsible for errors which they cause within the scope of their powers and responsibilities. A depository member shall be responsible, within the scope of its powers and responsibilities, for [rectification of] errors after trading by clients.
2. If the error of a securities company results in the client of a depository member being a commercial bank [i.e. the commercial bank is the client] lacking the securities necessary in order to conduct settlement, then the commercial bank shall be permitted to refuse to settle the transaction. If in this case the depository member is the securities company then it shall be liable to make payment for the incorrect transaction.
3. If there are insufficient securities in an account to settle a transaction, then a depository member may receive a loan or assistance in the form of securities pursuant to article 39.1 of these Regulations.
4. Repayment of the securities or repayment of the assistance may be made by the securities themselves or by money, depending on the agreement reached between the depository member with the lender or the person providing assistance with the securities.
5. The SDC shall provide rules on making loans of and assistance by providing securities, and on repayment thereof, as between parties in order to rectify errors.

**Article 37** *Measures to remedy insolvency in settling transactions of listed securities*

1. A member of the SDC shall be responsible to remedy its inability [insolvency] to settle a transaction of listed securities.
2. If a member is unable to remedy its inability [insolvency] to settle a transaction of listed securities, the SDC shall apply the following measures:
  - (a) In a case where the member lacks the monetary funds necessary for settlement, the Settlement Assistant Fund shall be used or a request shall be made to a paying bank to make a loan.
  - (b) In a case where there are insufficient securities to conduct settlement, the defaulting member shall be requested to lend other securities or a request shall be made to another member to make a loan of securities.
3. The SDC shall provide rules on the order and procedures for remedying inability to settle a transaction of [listed] securities.

**Article 38** *Remedying inability to conduct settlement by paying money*

1. A member of the SDC which is unable to pay the money required to conduct settlement may use the Settlement Assistant Fund or may receive a loan from a paying bank in accordance with the following principles:
  - (a) In the case of a depository member, both measures shall apply namely receipt of money from the Settlement Assistant Fund and receipt of a loan from a paying bank. The SDC shall stipulate the ceiling limit on use of funds to assist payment, depending on the actual level of funds in the Settlement Assistant Fund.
  - (c) The regime of receipt of monetary assistance in the form of a loan from a paying bank shall apply to a member opening a direct account.
2. The SDC shall regulate the establishment, management and use of the Settlement Assistant Fund after obtaining approval from the SSC.
3. A depository member must sign an agreement on receipt of monetary assistance from a paying bank to settle a securities transaction, and such agreement shall contain the following main particulars:
  - (a) Interest rate, which must not exceed the interest rate for use of the Settlement Assistant Fund.
  - (b) Term of the loan.
  - (c) Method of securing repayment of the loan, consistent with the relevant provisions of law.
4. Any member which lacks the ability to pay money in order to conduct settlement shall be responsible for all fees and losses arising, and shall be subject to a penalty as stipulated by law.

**Article 39** *Remedying inability to pay securities in order to conduct settlement*

1. A member which lacks sufficient securities in order to conduct settlement of a transaction may receive a loan or assistance in the form of securities from the following sources in order to ensure that settlement is conducted on time:
  - (a) From other members of the SDC.
  - (b) From a client.
  - (c) From other legal sources.
2. The SDC shall provide rules on the order and procedures for receipt of a loan or assistance in the form of securities in order to ensure discharge of the obligation to settle.

**Article 40** *Rescission of settlement of listed securities transactions*

1. If a member still lacks the ability to settle a transaction after application of the stipulated measures, the SDC shall have the right to rescind settlement of such transaction.
2. Any depository member whose settlement of a transaction has been rescinded shall be liable for all losses arising to the client and shall be liable to the other members involved as a result of failure to settle the transaction.
3. The SDC shall be responsible to notify the Stock Exchange or Securities Trading Centre of transactions for which settlement has been rescinded, in order for the latter entities to announce the relevant information.

**Article 41** *Dealing with errors in trading of securities of unlisted public companies*

1. The SDC shall have the right to rescind settlement of a transaction of securities of an unlisted public company if an error is discovered after such trading has taken place.

2. If it is discovered that a member's account contains insufficient money or securities in order to conduct settlement of trading of securities of an unlisted public company, the SDC shall deal with such transaction in accordance with the professional rules of the SDC.
3. Any member whose settlement of a transaction has been rescinded by the SDC pursuant to clauses 1 and 2 of this article shall be liable for loss caused to the client and other members.
4. The SDC shall provide rules on the order and procedures for dealing with errors in trading of securities of unlisted public companies.

## CHAPTER VII

### **Paying Banks**

#### **Article 42** *Conditions applicable for a bank to be a paying bank*

[The following conditions shall apply in order for a bank to be a paying bank:]

1. The bank is a Vietnamese commercial bank.
2. The bank has paid up charter capital of above three thousand (3,000) billion dong.
3. The bank has profitable business operational results for the two most recent years.
4. The bank has a credit risks system which satisfies the prudential requirements stipulated by the State Bank.
5. The bank has a system of physical and technical facilities which ensure settlement of transactions and which are able to be connected to the system of the SDC. The bank has an undertaking with the SSC to provide loans to ensure payment for settlement of transactions in the case where a member lacks the ability to conduct settlement.

#### **Article 43** *Application file for registration as a paying bank*

An application file for registration as a paying bank shall be lodged with the SSC and shall comprise:

1. Request for registration as a paying bank.
2. Document setting out information about the bank, including the bank's ability to satisfy the criteria stipulated in article 42 of these Regulations.
3. Copy decision on establishment and operation of the commercial bank.
4. Copy undertaking with the SSC to provide loans to ensure payment for settlement of transactions in the case where a depository member lacks the ability to conduct settlement.
5. Other relevant data.

#### **Article 44** *Procedures for accreditation as a paying bank*

The SSC shall issue a decision approving or refusing to accredit a bank to act as a paying bank within a time-limit of fifteen (15) days from the date of receipt of a complete and valid application file. In a case of refusal, the SSC shall provide a written explanation of its reasons.

#### **Article 45** *Rescission of status as a paying bank*

1. In the case where a paying bank fails to maintain the conditions stipulated in article 42 of these Regulations on ensuring payment for settlement of securities transactions, or in a case where a paying bank fails to rectify a situation of an unsatisfied condition within the time-limit stipulated by [in

a request from] the SSC, the SSC shall have the right to rescind such bank's status as a paying bank and to select another commercial bank which satisfies the conditions to act as a paying bank.

2. Any paying bank whose status as such is rescinded shall remain wholly liable to discharge all obligations relating to its operation of settlement of securities [transactions] for clients.

**Article 46** *Rights and obligations of paying banks*

1. Paying banks shall have the following rights:
  - (a) To appoint the head office or a branch to act as co-ordinator in settlement of securities transactions.
  - (b) To require the SDC and members of the SDC to comply with their undertakings on payment as made between the parties and to supply the information necessary in order to conduct settlement of transactions.
  - (c) To collect fees for the provision of services in accordance with law.
2. Paying banks shall have the following obligations:
  - (a) To make full payment on time for securities transactions conducted on the Stock Exchange or a Securities Trading Centre.
  - (b) To provide monetary assistance to members of the SDC when the members lack funds to conduct settlement of securities as stipulated by law.
  - (c) To sign contracts on the principle of ensuring that borrowing members will have the funds to conduct settlement of securities transactions. The clauses in these contracts shall be written on the principles applicable to credit loans, ensuring fairness as between members.
  - (d) To comply with the regimes on information and reporting and on confidentiality of information in accordance with current laws.
  - (e) To ensure they have the technical and material facilities and the staff necessary in order to ensure monetary payment so as to settle securities transactions.

## CHAPTER VIII

### **Rights and Obligations of Relevant Parties**

**Article 47** *Rights and obligations of issuing organizations:*

1. To comply with the law and regulations on registration of securities and to exercise rights of holders of securities which have been registered at the SDC.
2. To authorize the SDC to carry out the work of management of information about securities holders and to exercise rights of registered securities.
3. To supply to the SDC information and other necessary data, promptly and accurately, to enable registration of securities to be conducted and to enable the exercise of rights as stipulated or on receipt of a written request from the SDC. To be wholly liable for the contents of information supplied to the SDC.
4. To be liable for losses caused to the SDC and to securities holders, except in cases of force majeure.
5. To pay fees for services provided by the SDC in accordance with regulations of the Ministry of Finance.
6. Other rights and obligations as stipulated by the SDC.

**Article 48** *Rights and obligations of [depository] members of the SDC:*

1. To comply with the rights and obligations stipulated in clauses 2 and 3 of article 47 of the *Law on Securities*.
2. Other rights and obligations as stipulated by law and by the rules of the SDC.

**Article 49** *Rights and obligations of the SDC:*

The SDC shall have the rights and obligations stipulated in articles 45 and 46 of the *Law on Securities*.

## CHAPTER IX

### Reporting regime

**Article 50** *Periodical reporting*

1. Each month, the SDC must provide to the SSC a report on the securities depository operation of the SDC, and including a report on the ownership status of foreign investors in accordance with Appendices 5 to 12 inclusive issued with these Regulations.
2. Each month, members of the SDC must send the SDC a report on their securities depository operation in compliance with the provisions in the rules of the SDC on registration, depository, clearing and settlement of securities.
3. On a monthly, quarterly and annual basis, paying banks must report to the SSC on the clearing and settlement operation of such paying bank in accordance with the standard form set out in Appendix 13 to these Regulations.
4. The time-limits for providing the above-mentioned reports shall be regulated as follows:
  - (a) Monthly reports shall be sent to the SSC within the first ten (10) days of the following month.
  - (b) Quarterly reports shall be sent to the SSC within the first twenty (20) days of the first month of the following quarter.
  - (c) Annual reports shall be sent to the SSC within the first ninety (90) days of the following year.
5. The SDC shall be obliged to maintain confidentiality of information about accounts of depository members.

**Article 51** *Extraordinary reports*

1. The SDC must report to the SSC within 24 hours of occurrence of the following events:
  - (a) A file or data relating to any operation being registration, depository, clearing or settlement of securities is lost.
  - (b) Any operation being registration, depository, clearing or settlement of securities is frozen partially or wholly.
  - (c) On the discovery of forged securities.
2. A depository member must notify the SSC no later than 24 hours after changing the member of the Board of Executives who is responsible for the securities depository operation of such depository member.
3. A paying bank must immediately notify the SSC and the SDC if its settlement operation is frozen partially or wholly.

**Article 52** *Providing reports pursuant to a request*

1. In addition to the cases requiring periodical and extraordinary reports as stipulated in articles 50 and 51 of these Regulations, in necessary cases in order to protect the general interest and the interests of investors, the SSC may request the SDC, depository members or paying banks to provide a report on such entity's securities registration, depository, clearing and settlement operations.
2. The SDC, a depository member or a paying bank must provide a report to the SSC within a time-limit of 48 hours from the time of receipt of the request as stipulated in clause 1 of this article.

CHAPTER X

**Inspections, Supervision, and Dealing with Breaches**

**Article 53** *Inspections and supervision*

1. Depository members and their staff shall be subject to supervision by the SDC, and shall also be subject to inspection and supervision by the SSC consistent with current laws.
2. The SDC and paying banks shall be subject to inspection and supervision by the SSC, consistent with current laws.

**Article 54** *Dealing with breaches by members*

The SDC may apply the following forms in dealing with breaches by members, depending on the level of the breach of the professional rules of the SDC:

1. Written reminder.
2. Warning and announcement on the website of the SDC.
3. Temporary suspension of operation.
4. Rescission of certificate of membership, or of certificate of depository membership of a branch.

**Article 55** *Dealing with breaches*

Any breach of the provisions in these Regulations shall be dealt with in accordance with current laws.

CHAPTER XI

**Organization of implementation**

**Article 56** *Implementing provision*

1. A Securities Depository Centre shall provide specific rules on the order and procedures for registration, depository, clearing and settlement of securities, consistent with these Regulations.
2. The Minister of Finance shall make a decision on any amendments or additions to these Regulations.

For the Minister of Finance  
Deputy Minister  
TRAN XUAN HA