

## Trading and settlements – Unlisted securities and redeposit process

### Overview of unlisted securities

- Unlisted securities may be traded on the UPCOM (regulated OTC) market or the OTC market (non-UPCOM). Most unlisted securities are held in physical form, except those registered and custodised with the Vietnam Securities Depository (VSD)
- Investors are not restricted to using the designated local broker when trading in unlisted securities
- Foreign investors are required to have:
  - A Securities Trading Code (STC) from VSD prior to investing
  - A Capital Contribution Account (CCA) opened with a commercial bank for settlement of unlisted securities transactions. From 14 October 2011, CCA no longer requires registration with the State Bank of Vietnam (SBV) prior to unlisted security trades execution
- The Aggregate Foreign Ownership Limit (FOL) is generally 49 per cent for unlisted public companies and 30 per cent for banks.
- When an unlisted security becomes listed, the securities must be registered and custodised with the VSD via a depository member prior to being tradable in the market

### UPCOM securities

- The regulated OTC market (UPCOM) commenced operations on 24 June 2009
- The minimum quantity per transaction is 100 units for order matching method and 10 units for negotiation method, but trading in lots is not mandatory
- Trading band for shares is +/-10 per cent, with no band for bonds
- Trading hours is from 9 - 11.30 am and 1 - 2.15 pm , Monday through Friday
- Full amount of securities must be available before the sale trade can be executed
- Cash prefunding on UPCOM is between 0 - 100 per cent, subject to agreement between the investor and their broker. Market practice is prefunding of 100 per cent
- Trading methods: negotiation through the regular method where trades are first agreed by the seller and buyer and then input to the trading system for the formalisation process
- Settlement is on a multilateral netting basis on a T+3 cycle. Deadlines for instructions and for trade dispute is similar to trades for securities listed on HOSE / HNX
- Trade cancellation is allowed for erroneous trades. The party at fault may compensate the counterparty a maximum of 10 per cent of the value of the erroneous trade(s)
- For UPCOM settlement, funds must be in HSBC's account with the clearing bank by 4 pm on T+2
- As at the end of December 2012, there are 132 securities traded on UPCOM

### Non-UPCOM unlisted securities

- There is no fixed settlement cycle or prefunding requirements for non-UPCOM trades, and are subject to the agreement between the seller and the buyer
- Cash settlement normally occurs from 1 week to 3 months before the securities settlement
- Title transfer is done by the local broker. Issuer / designated local broker act as registrars
- HSBC instruction deadlines (with supporting documents provided to HSBC on VD-1)
  - For SWIFT and fax instructions: 2.30 pm on VD
  - For HSBCnet instructions: 3 pm on VD
- HSBC provides corporate action services to securities listed on HOSE/HNX and UPCOM only

### Redeposit process

Redeposit is the dematerialisation process of securities or conversion from physical certificates to scripless securities

