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

On trade day (T), HSBC receives the below announcements from VSD:

- Re-depositing of newly- issued shares of companies / funds currently listed on UPCOM/HOSE or HNX
- UPCOM securities being listed on HOSE / HNX
- Unlisted securities becoming listed on UPCOM/HOSE or HNX

HSBC releases MT599 / email notification to clients with holdings of the unlisted securities in physical form to inform of the listing and request the re-deposit instruction

T+1: A MT508 is sent requesting clients for instruction or confirm receipt of instruction (The securities' status changes from AVL / VLT to REG / VSD with listed code in HSBC system and the same are reported via MT535. The security becomes untradable from T+1)

- Re-depositing instruction is not required for UPCOM securities being listed on HOSE / HNX
- Re-depositing instruction is not required if clients have a standing instruction for auto-redeposit
- POA for HSBC to redeposit the certificates on client's behalf needs to be in place

Upon receipt of redeposit instruction, HSBC checks details of instructions vs the physical certificates and informs clients (via email / telephone) of any discrepancies HSBC submits the redeposit HSBC submits the redeposit documents to documents to the VSD on T+1 for VSD on the same day if instructions are clients with existing auto-redeposit received by 11am, or the following working standing instruction day if not On T+5. VSD informs HSBC of the redeposit results Successful Failed HSBC releases MT508 informing of HSBC releases MT508 to inform clients and successful redeposit (T+5) requests revised documents (T+5) Securities' status changes from REG Contact issuer / client to correct the / VSD to AVL/ VSD or SEG/VSD in discrepancy due to wrong information in HSBC system and the same is VSD's records (T+5) reported via MT535 (T+5)