

CIRCULAR 74
GUIDING
SECURITIES TRADING

Dated 1 June 2011

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CIRCULAR GUIDING SECURITIES TRADING

Pursuant to the *Law on Securities* dated 29 June 2006;

Pursuant to Decree 118-2008-ND-CP of the Government dated 27 November 2008 on functions, duties, powers and organizational structure of the Ministry of Finance;

The Ministry of Finance hereby provides the following guidelines on securities trading:

CHAPTER 1

General Provisions

Article 1 *Applicable scope*

This Circular provides guidelines on activities of trading securities of companies which are listed and registered for trading and of public securities investment funds on the Stock Exchange (SE).¹

Article 2 *Interpretation of terms*

In this Circular, the following terms shall be construed as follows:

1. *Trading member* means a securities company which the SE has approved to become a trading member.
2. *Trading system* means the computer system used for trading activities at the SE.
3. *Order delivery system* means the system delivering [or placing] trading orders of investors from trading members to the SE.
4. *Price band [permissible price fluctuation range]* means the stipulated price band of securities prescribed for a trading day and calculated as a percentage (%) of the reference price.
5. *Reference price* means the price level used as a basis for the SE to calculate the price band of securities for any one trading day.

¹ Allens Arthur Robinson footnote: Obviously "SE" includes both Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX), see article 3.4.

6. *Order matching method* means the trading method whereby deals [transactions] are executed by the trading system on the basis of matching securities buy and sell orders. The order matching method comprises periodic order matching and continuous order matching.
7. *Put through [PT] trading method* means the trading method whereby trading members reach agreement on the conditions of a deal [transaction] and input information into the trading system to recognize the result of the deal.
8. *Margin trading for securities purchase* means a client buys securities with money borrowed from a securities company and uses the securities bought with such loan monies and other securities in the [client's] account as collateral² [for the loan].
9. *Inside information* means undisclosed information about a public company or public fund which, if disclosed, could have a large impact on the price of securities of such company or fund.
10. *Insider trading* means trading using inside information to buy/sell securities aimed at benefitting (by receiving benefits, or by avoiding or reducing losses) the person conducting the deal, the person with such inside information, or a third party.
11. *Market manipulation [or rigging]* means that one or more individuals and/or organizations themselves, or in collusion, directly or indirectly place orders, trade, or announce or disperse information aimed at creating artificial supply and demand, artificial liquidity, or artificial price fluctuations in one or more types of securities.

CHAPTER 2

Specific Provisions

Article 3 *Holding securities trading*

1. The SE shall hold securities trading by the order matching method and by the put-through trading method. The order matching method on the trading system shall be conducted on the principles of price priority and time priority.
2. The SE shall hold trading of securities which are listed and registered for trading on the SE via the trading system of the SE, except in the following cases:
 - (a) In cases prescribed in article 4.1(b)³ of Circular 43-2010-TT-BTC of the Minister of Finance dated 25 March 2010 amending the *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;
 - (b) Auction of the State owned capital portion in a listing organization/public company;

² Allens Arthur Robinson footnote: The literal translation is "as a pledge".

³ Allens Arthur Robinson footnote: This is a reference to article 18.1(b) of the *Regulations (amended)*.

- (c) Other cases of transfer via Vietnam Depository Centre (VDC) after the State Securities Commission (SCC) has provided approval.
- 3. The SE shall issue Rules guiding securities trading [*"Trading Rules"*] after the SSC has approved same. These Rules shall contain specific provisions on trading hours, trading methods, method of fixing the reference price; price band [permissible price fluctuation range] of securities; various types of trading orders; correction and cancellation of deals, and other relevant items.
- 4. Hanoi Stock Exchange shall be permitted to hold trading of listed securities and of securities of public companies not listed on the SE, except for the cases prescribed in sub-clauses (a), (b) and (c) of clause 2 of this article.
- 5. Vietnam Depository Centre shall issue securities codes for securities permitted to be traded on the SE.

Article 4 *Temporary suspension of trading of securities*

- 1. The SE shall temporarily suspend securities trading on the entire system in the following cases:
 - (a) Breakdown of the trading system or order delivery system;
 - (b) An event of force majeure such as a disaster or fire, adversely affecting trading activities on the market;
 - (c) The SSC requests suspension of trading to stabilize the market;
 - (d) Other cases considered necessary by the SE to protect the interests of investors, after the SSC has provided approval.
- 2. Temporary suspension of trading of any one particular type of securities must be implemented in accordance with the Trading Rules of the SE.
- 3. The SE must immediately notify the SSC when the former issues a decision temporarily suspending trading as prescribed in clauses 1(a) and (b) and clause 2 of this article.

Article 5 *Price band [permissible price fluctuation range]*

- 1. The SE shall stipulate the price band after receiving approval from the SSC.
- 2. In necessary cases the SSC may issue a decision adjusting the price band to ensure market stability.

Article 6 *Post-trading error rectification, and establishment and cancellation of deals*

- 1. Vietnam Depository Centre shall issue Rules guiding post-trading error rectification applicable to securities listed and registered for trading on the SE, after the SSC has approved same.

2. The SE shall issue Rules on establishment and cancellation of securities deals, after the SSC has approved same.

Article 7 *Securities trading by investors*

1. An investor must open a securities trading account at a securities company ["broker"] in order to conduct securities trading on the SE, and shall be liable for providing complete and accurate information when opening such account.

An investor shall only be permitted to open one trading account at each securities company [broker], except for the following cases:

- (a) Margin trading accounts of an investor;
 - (b) A fund management company must open a separate trading account for the company itself and separate trading accounts for each securities investment fund which such company manages at each broker where such company opens accounts, and must stipulate this condition in the account opening contracts. Any fund management company managing an investment portfolio must open two trading accounts in its own name at a broker on behalf of entrusting investors, comprising one account for domestic entrusting investors and one account for foreign entrusting investors.
 - (c) A foreign investor being a foreign securities company established pursuant to foreign law shall be permitted to open a separate securities trading account at a securities company [broker] in order to manage the securities belonging to the company itself (self-trading) and to also open accounts for clients (for which it acts as broker) of such foreign securities company.
 - (d) When an insurance company with 100% foreign owned capital operating in Vietnam conducts securities trading, it must open two trading accounts at a broker, one account for investment from its equity and subject to regulations on foreign ownership ratio, and one account for investment from insurance premiums not subject to regulations on the foreign investor's ownership ratio.
3. Opening of securities trading accounts by securities business practitioners shall be subject to article 81.2⁴ of the *Law on Securities*.
 4. If an investor opens securities trading accounts at multiple brokers, then the application file for opening such account at the new broker must record the number of accounts already opened and the code numbers of such accounts previously opened at other brokers.
 5. A foreign investor shall only be permitted to open a trading account after having registered with, and being issued with a securities trading code number by Vietnam Depository Centre.
 6. The SSC shall provide guidelines on the principles for issuance of securities trading code numbers to investors. Any broker at which an investor opens an account must retain information about the account holder, about securities deals and their relevant source documents for a minimum ten (10) years from the date on which the deal arose.

⁴ Allens Arthur Robinson footnote: Article 81.2 provides that a securities business practitioner when working for a securities company is permitted to open a securities trading account for himself or herself at such company.

7. Investors must ensure an escrow deposit ratio in cash or securities. The SSC shall provide guidelines on the escrow deposit ratio in cash or securities, after the Ministry of Finance has approved same.
8. Any transfer of securities listed and registered for trading must be implemented via the SE. The transfers referred to in article 3.2 of this Circular shall be conducted via Vietnam Depository Centre and must be publicly disclosed on the SE.
9. Securities companies may buy shares and fund certificates in odd lots from investors as agreed between them, or may hold trading of odd lots for clients in accordance with guidelines of the SSC.

Article 8 *Securities trading within the same trading day*

1. An investor shall be permitted to buy and sell the same type of securities on the same trading day on satisfying the following conditions:
 - (a) The investor uses the same account opened at one broker to place both the buy and sell orders;
 - (b) The investor may only buy (or sell) the same type of securities when the previous [corresponding] sell (or buy) order of such type of securities has been executed and the trading order satisfies the escrow deposit requirement prescribed in article 7.7 of this Circular.
 - (c) The securities company [broker] and depository bank shall be liable to check the validity of the buy and sell orders of the investor.
2. Investors shall not be permitted:
 - (a) To conduct deals which do not result in change of ownership of securities;
 - (b) To simultaneously place buy and sell orders for the same type of securities on the same order matching occasion, on the same or different accounts in the name [ownership] of such investor.

Article 9 *Trust trading account*

1. When an investor opens a securities trading account, it may entrust trading in the following cases:
 - (a) Provide a written authority entrusting a securities company or securities depository bank to conduct deals on behalf of the investor. When such broker or depository bank exercises this authority, it represents the investor in executing the deal and must comply with rules on trading, on making payment and disclosing information, and shall be liable to the investor for the matters entrusted to it.
 - (b) A power of attorney authorizing another individual to conduct trading on behalf of an investor must ensure:
 - The authorization is certified by the local authority or notarized in accordance with law;
 - The authorization contract must specify the scope of authority;
 - The proxy must not conduct deals for him/herself or for any third person for whom the proxy also holds power of attorney.

2. Staff of securities companies shall not be permitted to accept powers of attorney from investors.
3. Any investor opening a number of securities trading accounts must report its obligation as a major shareholder on the total number of securities in all accounts and disclose such information in accordance with law.

Article 10 *Trading treasury shares*

1. Listing organizations and organizations registered to trade by redeeming and selling treasury shares on the SE must do so in accordance with law. The SE shall issue Rules providing specific guidelines on trading treasury shares, after the SSC has approved same.
2. When a public company sells treasury shares, it must provide advance notice to the SSC at least seven (7) days prior to the date on which it proposes to conduct the deal.
3. Listing organizations and organizations registered for trading shall be permitted to redeem odd lots of shares for investors to form treasury shares. The organization redeeming such odd lots must ensure capital sources for redemption of treasury shares in accordance with law and shall not be required to restrict the period within which a sale may be made of odd lots of shares which were purchased to form treasury shares.

Article 11 *Margin trading*

1. Securities companies shall be permitted to conduct margin trading after they have reported to the SSC.
2. Any investor wishing to conduct margin trading must open a margin trading account at the broker where it opened a securities trading account. An investor shall only be permitted to open one margin trading account at each broker where such investor opened a securities trading account. The broker must manage the margin trading account of an investor separately from other trading accounts.
3. Margin trading may be conducted in respect of shares and investment fund certificates currently listed on the SE and which satisfy the requirements on which securities are eligible for margin trading as regulated by the SE. A broker shall be obliged to publicly disclose the list of securities in which it conducts margin trading.
4. Brokers shall be obliged to provide periodical reports and one-off reports on request about their margin trading activities to the SSC, the SE and to Vietnam Depository Centre.
5. In necessary cases, the SSC may require brokers to temporarily suspend margin trading to ensure safe operation of the securities market.
6. The SSC shall provide specific regulations for brokers on professional activities being margin trading.

Article 12 *Circumstances in which securities shall be subject to management*

The SE shall provide specific Rules on the conditions for applying measures, on the measures applicable to securities traded on the SE, and on the duration of such measures for securities subject to a warning, to control, to temporary suspension or suspension of trading, after the SSC has approved such Rules.

Article 13 *Prohibited trading*

1. Prohibited trading shall comprise insider trading, market manipulation [or rigging], and other cases of prohibited trading stipulated by law.
2. Any conduct in breach of the regulations on trading securities shall be dealt with in accordance with law.

Article 14 *Reporting system and supervision*

1. The SE and Vietnam Depository Centre shall implement the regime on reporting the status of securities trading to the SSC.
2. The SE and Vietnam Depository Centre shall be subject to supervision by the SSC regarding securities trading.

CHAPTER 3

Organization of Implementation

Article 15 *Implementing provision*

1. The SE shall be responsible to issue specific guidelines [on this Circular]. The SE and Vietnam Depository Centre shall issue Guidelines and Professional Rules and supervise compliance by members during trading activities, after the SSC has approved same [the Guidelines and Rules].
2. This Circular shall be of full force and effect as from 1 August 2011.
3. Any amendments or additions to this Circular shall be decided by the Minister of Finance.

For the Minister of Finance
Deputy Minister
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