

MINISTRY OF FINANCE
THE STATE SECURITIES
COMMISSION

No. 87/QĐ-UBCK

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom – Happiness

Hanoi, January 25, 2017

DECISION

ON THE PROMULGATION OF THE REGULATION GUIDING THE MARGIN TRADING

THE PRESIDENT OF THE STATE SECURITIES COMMISSION

Pursuant to the Law on Securities dated June 29 2006;

Pursuant to the Law on amending and supplementing a number of articles of the Law on Securities dated November 24 2010;

Pursuant to the Government's Decree No. 58/2012/NĐ-CP dated July 20 2012 on detailing and guiding the implementation of a number of articles of the Law on Securities and the Law on amending and supplementing a number of articles of the Law on Securities;

Pursuant to the Government's Decree No. 60/2015/NĐ-CP dated June 26 2015 on amending and supplementing a number of articles of the government's decree no. 58/2012/NĐ-CP dated July 20, 2012 on providing specific provisions for the implementation of certain articles of the Law on Securities and the Law on amending and supplementing a number of articles of the Law on Securities;

Pursuant to the Government's Decree No. 86/2016/NĐ-CP dated July 01, 2016 on requirements for investment and trading in securities;

Pursuant to the Prime Minister's Decision No. 48/2015/QĐ-TTg dated October 08, 2015 on defining functions, tasks, powers and organizational structure of the State Securities Commission;

Pursuant to the Minister of Finance's Circular No. 210/2012/TT-BTC dated November 30, 2012 on the establishment and operation of securities companies and the Minister of Finance's Circular No. 07/2016/TT-BTC dated January 18, 2016 on amendments and supplements to certain articles of the Minister of Finance's Circular No. 210/2012/TT-BTC dated 30 November 2012 on guidelines for the establishment and operation of securities companies;

Pursuant to the Minister of Finance's Circular No. 203/2015/TT-BTC dated December 21 2015 on providing guidelines for trading on securities market;

At the request of the Director General of the Department of securities trading management,

DECISION:

Article 1. Promulgating together with this Decision the Regulation guiding the margin trading.

Article 2. This Decision takes effect from the date on April 01 2017 and shall replace the Decision No. 637/QĐ-UBCK dated August 30 2011 on the promulgation of the regulation guiding the margin trading and the Decision No. 09/QĐ-UBCK dated January 08 2013 on amending the regulation guiding the margin trading.

Article 3. Chief of Office, the Director General of the Department of security trading management, the General Director of the Stock Exchange of Ho Chi Minh city, the General Director of the Stock Exchange of Hanoi, the General Director of the Vietnam Securities Depository, the General Directors (Directors) of securities companies, and relevant parties are responsible for the implementation of this Circular.

PRESIDENT

Vu Bang

REGULATIONS

ON MARGIN TRADING
(Promulgated together with the Decision No. 87/QĐ-UBCK dated January 25, 2017 of the President of the State Securities Commission)

Chapter I

GENERAL PROVISIONS

Article 1. Scope and regulated entities

1. This document provides guidance on the trading securities on margin.
2. This Regulation applies to securities companies, investors conducting margin trading and organizations and individuals involved in margin trading.

Article 2. Definitions

1. “*Marginable securities*” refers to the securities that satisfy the requirements in this document.

2. “*Ordinary account*” refers to the account opens by clients at securities companies for trading securities without using cash borrowed from the securities companies.
3. “*Debit balance*” refers to the total cash in the margin account owed by a client to the securities company.
4. “*Value of securities*” (v) refers to the value stated by the securities company on the contract for opening margin trading account signed with the client but not exceeding the closing price on the latest trading date of such securities.
5. “*Equity balance*” (EB) equals (=) the sum of cash balance (CB) plus (+) value of marginable securities in the margin account (PV). (EB = CB + PV).
6. “*Account balance*” (AB) equals (=) the total value of assets in the margin account minus (-) the debit balance in the margin account (AB=EB-DB).
7. “*Margin*” refers to the ratio of the account balance to the equity balance.
8. *Initial margin requirement* (imr) is the ratio of the account balance to the value of the securities expected to be acquired by margin trading at the market prices.
9. *Maintenance margin requirement* (mmr) is the minimum ratio of account balance to the equity balance.
10. *Margin requirement* (MR) equals to the value of the securities multiplied by the initial margin requirement.
11. “*Excess equity*” (EE) is the difference between the account balance in the margin account and the margin requirement.
12. *Buying power* (BP) is the ratio of excess equity to initial margin requirement.
13. *The Stock Exchange* refers to the Stock Exchange of Ho Chi Minh city or the Stock Exchange of Hanoi.

Chapter II

MARGINABLE SECURITIES

Article 3. Marginable securities

The marginable securities include: shares, fund certificates listed at the Stock Exchanges, excluding the following cases:

1. The securities have been listed for less than 06 months from the first securities trading date to the day they are converted into marginable securities. If the shares are transferred to another stock exchange, the listing duration is the total listing duration at both Stock Exchanges;
2. The securities are put under control or special control, suspended or delisted in accordance with related regulations on listing of securities;
3. The audit's opinion on the audited financial statement of the issuer of the securities or the examined, audited semi-annual financial statement of the issuer is unqualified opinion;
4. The listed organization delays the disclosure of the audited financial statement or examined semi-annual financial statement more than 05 working days from the initial deadline or extended deadline for information disclosure according to regulations;
5. The listed company receives a notice on its tax offenses sent by a tax authority;
6. The income statement of the listed organization show a loss in the period during which margin trading is under consideration or accrued loss according to the latest audited financial statement or the audited or examined semi-annual financial statement. If the listed organization is the parent company, the income statement is based on the consolidated financial statement; if the listed organization is a public fund, the net asset value (NAV) of a fund certificate must be smaller than the face value in at least one month, according to the monthly report on the change of the net asset value in 03 consecutive months from the time of selection for margin trading.

Article 4. Compilation and publishing of the list of marginable securities

1. Within 02 working days from the day on which one of the cases aforementioned prescribed in Article 3 this document occurs, the Stock Exchange shall announce the list of non-marginable securities. The minimum publishing requirement includes all non-marginable securities as of the date of disclosure. Except for the cases specified in Clause 1 Article 3 this Regulation, at least once every 06 months from the latest time on which the Stock Exchange publish the list of non-marginable securities, the Stock Exchange may consider removing the securities from the list of non-marginable securities. The publishing time shall be decided by the Stock Exchange.
2. Based on the list of non-marginable securities published by the Stock Exchange as prescribed in Clause 1 this Article, the securities company shall compile a list of marginable securities eligible. Within 02 working days from the day the Stock Exchange publish the list of non-marginable securities as prescribed in Clause 1 this Article, the securities company shall publish the list of marginable securities from the publishing date on its website and offices.
3. The Stock Exchange shall supervise the list of non-marginable securities announced by the securities company as prescribed in this document.

Chapter III

REGULATIONS ON THE MARGINS, COLLATERAL AND THE SETTLEMENT OF COLLATERAL

Article 5. Initial margin requirement, maintenance margin requirement

1. Initial margin is decided by the securities company but not lower than 50%
2. Maintenance margin is decided by the securities company but not lower than 30%
3. Depending on the developments of the securities market, the State Securities Commission may adjust the margin specified in Clause 1 and 2 this Article.

Article 6. Time for determination of margin

1. At the end of the trading day, securities company shall determine the margin of each margin account with the prices of margin securities specified in Clause 4 Article 2 this document.
2. The specific time for determining the margin of a margin account shall be agreed upon in writing by the securities company and the client on the basis of ensuring the principles specified in Clause 1 this Article.

Article 7. Margin call

1. The client shall ensure that the margin does not fall below the maintenance margin requirement. If the margin of the margin account of the client falls below the maintenance margin requirement, the securities company shall issue a margin call to the client by the methods agreed in the margin account contract. The client must post more collateral within the time limit imposed by the securities company but such time limit must not exceed 03 working days. The specific time limit shall be agreed upon by the securities company and the client on the basis of the margin account contract.
2. From the date on which the margin call is received, the client shall sell the securities, post more cash or collateral in order to meet the maintenance margin requirement, the specific rate shall be decided by the securities company and the additional cash or collateral shall be posted as follows:
 - a) If the client posts more securities, the value of additional securities is calculated as follows:
 - b) If the client posts more cash, the additional cash is calculated as follows:

Article 8. Settlement of collateral

1. The securities company may sell pledged securities in the margin account of the client when that client fails to post or adequately post additional collateral within the period requested by the margin call.

a) If the client fails to post or adequately post additional collateral , depending on whether the value of the collateral is smaller or bigger than the value of total securities in the margin account, the securities company may liquidate a part or all the pledged securities;

b) The securities company shall notify the client before liquidating the pledged securities and after liquidation, the securities company shall send the result of the margin securities liquidation to the client using the method agreed upon in writing between the securities company and the client.

2. If the securities company liquidates all securities in the margin account at the client's request or when issuing the margin call, the client may only draw the residual amount (if any) earned from the sale of the securities in the margin account after the debit balance is deducted.

3. In case the equity balance of the client after liquidation is not enough to repay the debit balance and the client fails to repay the residual loan as agreed in the margin account contract, the securities company shall collect the debt according to the method agreed in the margin account contract and the provisions of law.

Chapter IV

LIMIT, RESTRICTION, LOAN INTEREST AND LOAN TERM

Article 9. The limits on margin loans

Securities companies must adhere to the limits on margin loans prescribed in this Article. The equity of a securities company prescribed in this Article is that the latest audited or examined financial statement which is made within the last 06 months from the calculating time. In case the securities company is allowed to increase its charter capital during the period between the submission of the audit report and the audit examination period, the equity on the latest financial statement shall be applied.

1. The total margin loan given by a securities company must not exceed 200% of its equity.

2. The total margin loan given by a securities company to a client must not exceed 3% of its equity.

3. The total margin loan given by a securities company for a kind of securities must not exceed 10% of its equity.

4. The total margin loan given by a securities company must not exceed 5% of total listed securities of a listed organization.

Article 10. Restrictions to margin trading

1. The securities company must not provide loans for a client to buy shares on margin in the following cases:

- a) The issuance of the Shares and fund certificates is guaranteed by the securities company from the date of signing the guarantee contract to the end of 06 months from the end of the issuance;
- b) The shares is owned by a listed company that holds at least 50% of the charter capital of the securities company; the shares is owned by a listed company or a company registered for transaction at least 50% of the charter capital of which is held by the securities company;
- c) The shares are issued by the securities company;
- d) The client fails to meet the margin specified in the margin account contract and this document;
- dd) The client is a foreign investor;
- e) The client is one of the entities specified in Clause 4 Article 13 this document.

2. If the securities are no longer in the list of marginable securities, the securities company must not give new loans to buy such securities on margin and must not include such securities in the credit balance in the margin account. However, they may be considered as collateral for margin loans unless otherwise agreed with the client.

Article 11. Term and interest of margin loans

- 1. The term of a margin loan given by a securities company to its clients is specified in the margin account contract but must not exceed 03 months from the date on which the loan is given.
- 2. The securities company may extend the loan term at the written request of its clients. Each extension must not exceed 03 months.
- 3. The interest rate on margin loans is determined according to the written agreement between the securities company and its client, and in accordance with the Civil Code.
- 4. The method for calculation of interest rate is determined according to the written agreement between the securities company and its client, and in accordance with the Civil Code.

Chapter V

RESPONSIBILITY FOR MARGIN ACCOUNT MANAGEMENT

Article 12. The margin account contract

- 1. The margin account contract is also the credit contract for the loans in the margin account.
- 2. The contents of the margin account contract shall be agreed by the securities company and the client but at least must contain the following contents:

- a) The information about the client such as: full name, date of birth, ID number (citizen identity card)/business's name, number, date of issuance and issuer of business registration certificate, address, email, fax (if any), phone number;
 - b) The purpose of the loan: buy securities on margin;
 - c) Initial margin; method for determination of value of pledged securities;
 - d) Maintenance margin;
 - dd) Deadline and payment method upon the request for additional collateral;
 - e) Loan limit;
 - g) Loan interest rate;
 - h) Contract term, effective date of the contract and the time when the loan interest begins;
- Method of contact with the client to execute a margin call, execute liquidation, send the statement of margin trading account; method for settling collateral in the margin account of the client when the client fails to comply with the contract and the priority to use the money from the sale of their pledged securities;
- k) What to do in case the securities company is not allowed to perform margin trading;
 - l) Regulations on protection of the interests of contracting parties;
 - m) Dispute settlement method;
 - n) Contract finalization method;
 - o) Declaration made by the client that the securities company has clearly explained the risks when making transactions using the margin account.

Article 13. Responsibility for margin account management

1. Securities company must gather and update information on clients opening margin accounts make sure the clients are not executive officers and their related persons. In case the clients do not provide information at the request of the securities company, the securities company is exempted from liability relevant to this regulation.
2. The securities company must build transaction systems and software to manage margin accounts as prescribed in Clause 5, Article 9 Circular 203/2015/TT-BTC and this document.

3. Unless the customer agrees and complies with relevant laws, the securities company must not use securities in the margin accounts of its clients as collateral for any transactions apart from the collateral for the margin trading between the securities company and its clients.

4. The following entities are not allowed to open margin accounts:

a) The owner, major shareholders, capital-contributing members, members of the Board of Directors/Member Boards, members of the Control Board, the General Director (Director), the Chief Accountant of the securities company, other positions assigned by the Board of Directors/Member Board/owner of the securities company and the persons related to the aforesaid persons;

b) The legal entities undergoing the process of dissolution or bankruptcy according to effective laws;

c) The entities that violate the margin account contracts according to the regulations of the securities company.

5. The rules for margin account management:

a) The margin accounts must be separated from ordinary accounts as prescribed in Clause 5, Article 9 Circular 203/2015/TT-BTC.

b) The client may only use cash, marginable securities and the rights relevant to such securities as collateral for the loans serving the margin trading; other securities may be used as collateral for margin loans when there are written agreements with the clients; cash, securities and securities-related rights on the margin accounts are the property of the clients;

c) The client must pay the interest on the margin loan in accordance with the margin account contract; the client may draw cash from the margin account after all debts are fully repaid to the securities company;

d) The securities company shall not allow the client to conduct margin transactions or withdraw more cash than the current buying power on his/her margin account.

dd) The securities company must promptly and sufficiently notify their clients of the arising benefits relevant to the securities in their margin accounts; send their clients the statement of margin accounts in accordance with the method and time agreed in writing with their clients;

e) The order form of the margin trading must be separated from usual order forms and must include the information about the client which is certified by the client. The electronic margin trading must comply with this document and the relevant provisions for electronic transactions. The order form of the margin trading is an integral part of the margin account contract.

6. The securities company may only make transactions relevant to the pledged securities at the requests of its clients, unless the pledged securities must be sold to collect debts.

7. The securities company shall disclose the information about the requirements for the provision of margin trading services including the list of securities eligible for margin trading, the margin requirement and the interest rates on its website.

8. The securities company must make accounting books and separate each margin account, the list of assets therein and the margin at the end of each trading day; keep the documents, record accurately and in details the transactions on each margin account, including the daily information about the list of margin assets, collateral, market prices, margins together with the margin calls and order form of margin trading.

9. The information about the margin accounts of the clients shall be kept confidential by the securities company. The securities company may not provide such information to a third party, unless otherwise requested by competent State agencies or agreed by its clients.

Article 14. Report obligation of the securities company

1. Before the 5th trading day of the next month, the securities company must send the Stock Exchange the list of securities being traded on margin according to the form in Annex 01 of this document.

2. The securities company shall make report on the margin trading at the request of the State Securities Commission and the Stock Exchange.

3. If the securities company changes its margin trading system, it must report to the State Securities Commission at least 15 days before the expected commencement date of the system. The report must prove that the new trading system still complies with effective regulations on margin trading management.

Article 15. Voluntary discontinuation of margin trading

1. If a securities company wishes to stop the margin trading, it must announce the discontinuation at the head office, other licensed offices, on its website and send a notification to the clients, the Stock Exchange, the State Securities Commission of the discontinuation of the margin trading.

2. The information disclosed and reported to the State Securities Commission according to Clause 1 of this Article must be attached with the plan on discontinuation of margin trading. This plan must include the following contents: the time of discontinuation of the margin trading; the time to settle contracts and margin loans; the method of handling the contracts that have not been settled by the expiry date according to the plan.

3. The securities company shall send the State Securities Commission the report on the settlement of the margin trading within 15 days from the date on which the margin account contracts are liquidated. The report includes:

- a) The report on the discontinuation of margin trading according to the form in Annex 2 of this document;
- b) The report on the finalization of the margin account contracts;
- c) The Decision of the Board of Directors or the Member Board or the owner of the securities company on the discontinuation of margin trading.

Article 16. Suspension of margin trading

- 1. If a securities company fails to satisfy one or some of the requirements prescribed in Article 8 Clause 1 of the Decree No. 86/2016/NĐ-CP dated July 01 2016, it must immediately stop signing new contracts to open margin accounts, stop providing margin loans and send a report to the State Securities Commission within 48 hours from the occurrence of such event.
- 2. The securities company may sign new margin account contracts and provide new loans to make margin transactions after receiving the notice of the State Securities Commission that it has provided sufficient documents proving the fulfillment of all requirements for conducting margin trading according to Clause 1 Article 8 of the Government’s Decree No. 86/2016/NĐ-CP dated July 01 2016 on requirements for investment and trading in securities.

Chapter IV

IMPLEMENTATION

Article 17. Implementation

- 1. This document takes effect on the same date as the effective date of the Decision No. 87/QĐ-UBCK dated January 25, 2017.
- 2. The amendment and supplementation of this document shall be decided by the President of the State Securities Commission.

Annex 1: Form of the report to the Stock Exchange

Securities company.... **SOCIALIST REPUBLIC OF VIETNAM**
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 No., daymonth.....year.....

REPORT ON THE LIST OF MARGINABLE SECURITIES

**SOCIALIST
Independence**

**REPUBLIC
- Freedom**

**OF
-**

**VIETNAM
Happiness**

....., *[location and date]*....

REPORT ON THE DISCONTINUATION OF MARGIN TRADING

To: State Securities Commission

We are:

- Single-Limited Liability/Securities company.....
- License for establishment and operation No. Granted by..... *[location and date]*.....
- Headquarters address:
- Tel..... Fax.....

I hereby report to the State Securities Commission the discontinuation of margin trading since.....

Reasons of discontinuation.....

We hereby commit to take concurrent responsibility for the accuracy and reliability of the report and enclosed documents herein.

Enclosed documents

LEGAL REPRESENTATIVE

(Fully enumerate)

(Signature and full name)

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