VSD – Moving from Proprietary to ISO 15022 Standards

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Vietnam Securities Depository

Contents

I. Introduction to VSD ◄

II. Proprietary message format

III. VSD Gateway with ISO 15022 Standards

IV. Development plan

Introduction to VSD

- Vietnam has two stock exchanges (HOSE – 2000, HNX – 2005).

- At that time, DR&CS system of the two stock exchanges are operated separately => not highly efficient.

- VSD was established in 2006:
  - State-owned company which provides post-trade activities and other related supporting services in Vietnam.
  - Directly report to Ministry of Finance, regulated by State Securities Commission of Vietnam,.
  - Participated in: Asia-Pacific Central Securities Depository Group (ACG), Association of National Numbering Agency (ANNA), ASEAN+3 Bond Market Forum (ABMF)

Statistics-2014

BUSINESS OPERATIONS

58.83 BILLION SECURITIES REGISTERED AT VSD

45.2 BILLION LISTED SHARES REGISTERED AT VSD

512 MILLION SHARES INITIALLY REGISTERED AT VSD FOR LISTING

13 MILLION DELISTED SHARES

1 SECURITIES REGISTRATION

- ➢ **58.80 billion securities registered at VSD**
- ➢ **45.2 billion listed shares registered at VSD**
- ➢ **512 million shares initially registered at VSD for listing**
- ➢ **13 million delisted shares**

- ➢ **129 Depository Members**
- ➢ **Securities companies, domestic & foreign custodian banks, commercial banks opening direct accounts**

129 INSTITUTIONS, CONSISTING OF 94 SECURITIES COMPANIES, 5 FOREIGN CUSTODIANS, 6 DOMESTIC CUSTODIANS AND 24 COMMERCIAL BANKS OPENING DIRECT ACCOUNTS
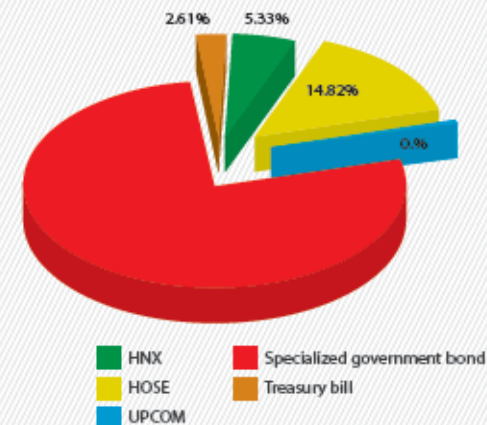
Statistics-2014

1,453,179
BILLION VND
SETTLEMENT VALUE
OF SECURITIES
TRANSACTIONS

1,118.4
TRILLION VND
IN SETTLEMENT VALUE OF
SPECIALIZED GOVERNMENT
BONDS, ACCOUNTING FOR 77%
OF TOTAL MARKET SETTLEMENT
VALUE, AN INCREASE OF 75%
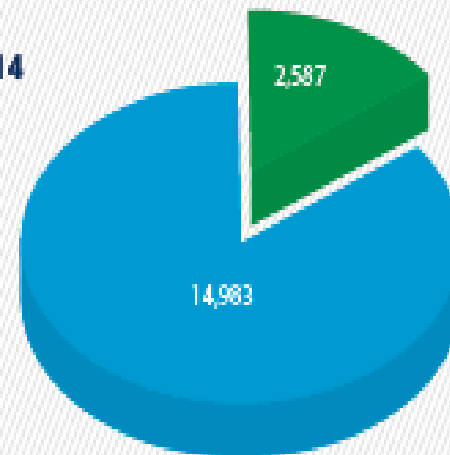COMPARED WITH 2013

SETTLEMENT VALUE
BY MARKETS IN 2014

2.61%   5.33%   14.82%   0.%

HNX   Specialized government bond
HOSE   Treasury bill
UPCOM

- **1,453,179 billion VND settlement value of securities transactions**
- **1,118.4 trillion VND in settlement value of government bonds, accounting for 77% of total market settlement value, an increase of 75% compared with 2013**
- **Settlement value by markets in 2014:**
  + **HNX   : 5.33%   + Treasury bill   : 2.61%**
  + **HOSE : 14.82%   + Specialized government bond: 77.24%**

Statistics-2014

17,570 FOREIGN INVESTORS HAVE BEEN ALLOCATED SECURITIES TRADING CODES BY VSD, OF WHICH 2,587 ARE INSTITUTIONAL INVESTORS AND 14,983 ARE INDIVIDUAL INVESTORS.

TOTAL NUMBER OF SECURITIES TRADING CODES AS OF 31 DECEMBER 2014

- Trading codes allocated to institutional investors
- Trading codes allocated to individual investors

2,587

14,983

- **In 2014, VSD allocated securities trading codes (STCs) for 839 foreign investors, an increase of 15% compared with 2013**

- **17,570 foreign investors which have been allocated STCs:**
  + 2,587 institutional investors
  + 14,983 are individual investors

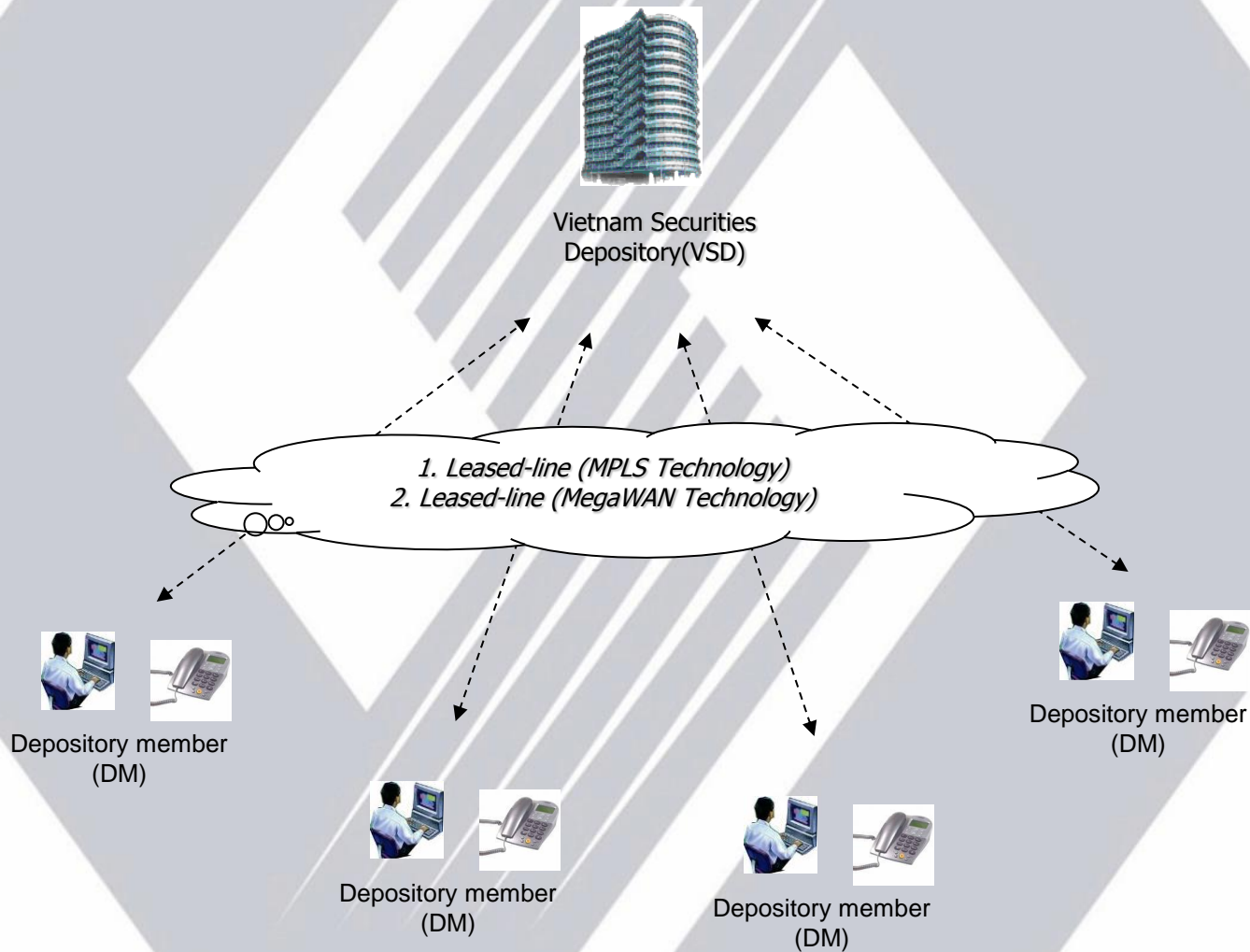- **In 2014, 317 institutional investors and 522 individual investors have been granted STCs.**

Contents

Proprietary message format

- **Developed by VSD to transfer message between VSD Terminal and VSD Core system**

- **Simple XML-Format**

- **3 Types of message format (transaction message format, report message format and query message format)**

- **Using local, not public to DM.**

Connect to VSD via Terminal

Vietnam Securities
Depository(VSD)

1. Leased-line (MPLS Technology)
2. Leased-line (MegaWAN Technology)

Depository member
(DM)

Depository member
(DM)

Depository member
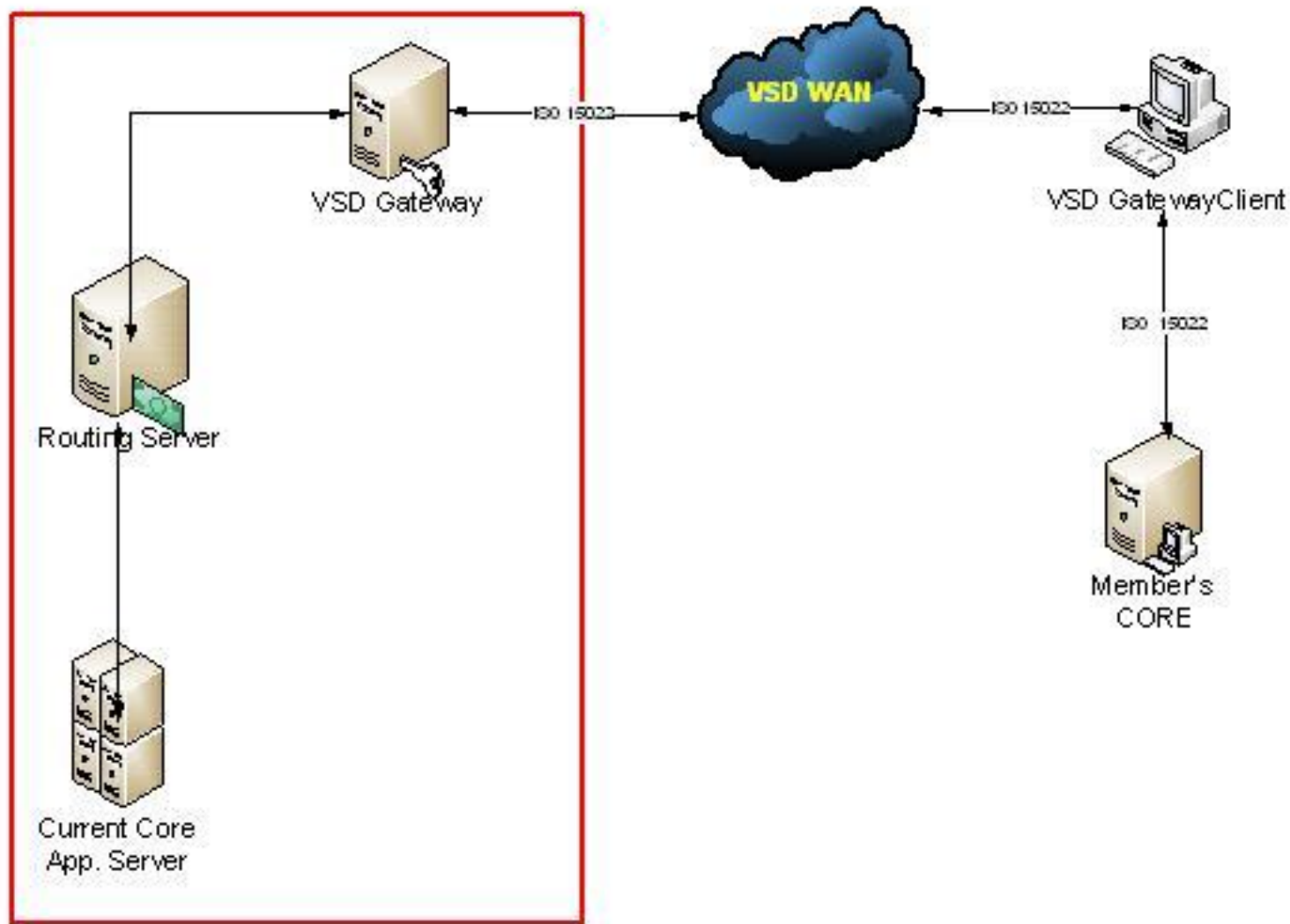(DM)

Depository member
(DM)

Disadvantages

- **Data mismatch (data input in DM system and then VSD Terminal)**
- **Proprietary message format not compliant with international standards (FIX, ISO,…), difficulties in connecting to international organization, cross-border trading,…**
- **Complexity of managing VSD Terminals located in DM**
- **Complex business processes, DM- and VSD staff must follow too many steps to complete one business process**
- **Difficulties in application upgrades**

Contents

I. Introduction to VSD

II. Proprietary message format

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IV. Development plan

Moving to Core2Core business with ISO 15022

Benefits

- **Data integrity in DM system and VSD system (data input ONLY in DM system)**

- **More control in business data security**

- **Using ISO15022 Message format compliant with international standards, easy to connect to international organization.**

- **No need to arrange resources to manage VSD Gateway Client located in DM**

- **Shorten business processes steps**

- **Easy to upgrade VSD Gateway Client (DM manage VSD Gateway Client, over 300 VSD Terminal vs. 100 VSD Gateway Client)**

Milestone

- **02/2015 :**   **Start working with SWIFT to transform business process into ISO 15022 Message format**

- **01/07/2015 :**   **Start using ISO 15022 Message format**

    10 DMs join the system in phase 1

    Business process applied: account opening/closing, securities deposit/withdrawal, transfer of securities, confirmation of trading results, confirmation of right distribution list.

- **21/07/2015:**   **VSD held the Announcement Ceremony - Adoption of ISO15022 Message to the Gateway of VSD**

- **19/08/2015:**   **VSD chaired Fourth Session of Vietnam NMPG Meeting, get feedback from market participants on Adoption of ISO15022 Message**

Announcement Ceremony - Adoption of ISO15022 Message to the Gateway of VSD

Contents

I. **Introduction to VSD**
II. **Proprietary message format**
III. **VSD Gateway with ISO 15022 Standards**
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Development plan

- Online issuing trading code for foreign investor
- E-Voting
- Derivatives products
- Counter Centre Party (CCP)

Thank you