

MEETING MINUTES

FORUM: VN NMPG (Kick-off Meeting)

DATE AND TIME: 25 MARCH 2014, 9AM – 12PM

LOCATION: HSBC BANK (VIETNAM) LIMITED, PACIFIC PLACE, 83B LY THUONG KIET, HOAN KIEM DISTRICT, HANOI

ATTENDEES:

NAME	ORGANISATION
Duc Minh Hoang	Citibank N.A Vietnam
Ha Thuy Le	Citibank N.A Vietnam
Thuy Bui	HSBC Bank (Vietnam) Ltd
Vinith Rao	HSBC Bank (Vietnam) Ltd
Dao T H Phan	HSBC Bank (Vietnam) Ltd
Le Sy Hoang	Standard Chartered Bank (Vietnam) Ltd
Nguyen Xuan Sarah	Standard Chartered Bank (Vietnam) Ltd
Pham Minh Ha	State Bank of Vietnam
Luong Bao Ngoc	State Bank of Vietnam, Money Market Division
Nguyen Thi Thu Trang	State Bank of Vietnam, Money Market Division
Chu Trung Kien	VSD
Alexandre Kech	SWIFT
Cindy Foo	SWIFT

AGENDA

- 1) Welcoming remarks by Vinith Rao, Head of HSBC Securities Services, Vietnam (host of the meeting)
- 2) Update on global and regional activities
- 3) Discussion on the NMPG in Vietnam
- 4) Final words

MINUTES

Introduction

The kick-off meeting of the Vietnam National Market Practice Group (VN NMPG) was hosted by HSBC Bank at its office premises in Hanoi and facilitated by SWIFT Standards. The VN NMPG (('Group') meeting began with a round of self-introduction by all the members present.

1) Welcoming remarks by Vinith Rao, Head of HSBC Securities Services, Vietnam (host of the meeting)

Vinith welcomed all the members to the 1st VN NMPG meeting with some opening remarks. Firstly, he expressed thanks to SWIFT for the formation of the Group and added that the establishment of NMPGs globally has enabled the harmonization of practices and processes which helps to drive through efficiency and straight-through-processing. As Vietnam market grows by leaps and bounds, the Group members (as important market participants) have the responsibility to create consistent and efficient procedures. In addition, the Group has the benefit of learning from other markets and to avoid their past mistakes. Therefore, Vinith believes in the importance of an NMPG.

Vinith further added that the purpose of the Group is for collaboration, open sharing of ideas and is an important way of feeling camaraderie as the members move together towards a common goal. Even though the Group is starting small with a smaller group of organisations, the hope is still to make a positive difference to the local market so as to naturally attract greater participation from other players and investors in the market. Last but not least, as the local NMPG grows larger, Vinith hopes that it will be able to cover a very wide range of issues.

2) Update on global and regional activities

i. SWIFT's role

Alexandre Kech, the former Head of Standards in SWIFT APAC (Alex has very recently moved to take on a new role as Director, Securities Market Infrastructures in APAC), explained the role of SWIFT and its involvement in the market practice group. The VN NMPG is an industry group and not a SWIFT user meeting. Hence, the members are not expected to be SWIFT users.

SWIFT is a cooperative which was created by banks to standardise the financial markets. Its not-for-profit mission is the creation of groups to define market practices and the use of standards around operations in general for the benefit of the whole financial community.

ii. Global SMPG history and activities

Following that, Alex provided a background on the role of Global SMPG. The SMPG was created around 15 years ago with a focus on the implementation of ISO 15022 in the securities space. However, the group has expanded in scope since then to include the establishment of market practices and more. The SMPG meets twice a year where the participating delegates represent their market and not their own institution. The group identifies opportunities for the harmonization of differing markets practices and publishes the agreed global market practices on www.smpg.info website as well as on MyStandards which is a collaborative web application used to manage standards definitions and industry usage more efficiently.

Alex also explained how the SMPG is organised. There are 2 Regional Directors per region and they are Mr Anthony Sim from Singapore and Mr Taketoshi Mori from Japan for Asia Pacific region. Regarding the Global SMPG meetings for this year, the Spring meeting will be held in London in April and the Fall meeting will be held in Boston in September, in the week before the SWIFT SIBOS conference. Next year's SMPG meeting is likely to be held in Singapore which is also the venue of the SWIFT SIBOS conference next year. Being a central location in Asia, hopefully there will be more APAC representatives including participants from the VN NMPG at the global meeting then.

Moving down to the country level, Alex elaborated on the role of an NMPG and its importance as it is not possible to harmonize market practices on a global level without clear market practices defined at the local level.

iii. APAC SMPG activities update

APAC SMPG, also known as APAC RMPG (Asia Pacific Regional Market Practice Group), was established 2 years ago. Alex went through with the Group the purpose of the APAC RMPG, its organisation structure and also shared information on the APAC Corporate Action Working Group (APAC CA WG) which was also recently established last year.

iv. Settlement & Reconciliation, Corporate Action and Investment Funds Working Group (WG)

The Global SMPG is organised into different streams – Settlement & Reconciliation WG (S&R WG), Corporate Action WG (CA WG) and Investment Funds WG (IF WG). The S&R WG first published a document on how a settlement instruction should be instructed worldwide and the WG slowly developed into having discussions on more defined processes. All the established market practice documents are available freely and openly to everyone on the SMPG website. Besides the S&R WG, Alex also shared information on the CA WG in terms of its achievements and developments. On the topic of the IF WG, Alex asked the Group if there is any interest in Investment Funds in the Vietnam market and Vinith shared that the funds market exists in Vietnam and is growing.

v. ABMF update

Alex provided information on the ASEAN+3 Bond Market Forum (ABMF) where Vietnam is participating through the Hanoi Stock Exchange. Alex added that it would be good to include them in future VN NMPG meetings as there has been an agreement between ABMF and SMPG to collaborate on the creation of NMPGs.

Information on the 2 Phases of the ABMF activities was shared with the Group. Part of Phase 1 was to look at the as-in situation of the various economies and describe how the bond market functions in each of the economies. Phase 2 was on harmonization. Alex also elaborated on Sub-Forum 1 and 2 within ABMF, their activities and work plans in the ASEAN community in the near future.

For full information on the global and regional SMPG and ABMF groups, please refer to the PowerPoint presentation slides which are sent together with the meeting minutes.

Questions and Answers:

1. Ms Ha Thuy Le from Citibank asked if there is more information regarding Post Trade flows involving CCPs. Alex shared that with the 2008 global crisis, there are more derivatives transactions that need to be cleared at CCP level. The industry is looking at harmonizing the clearing members to CCP and CCP to clearing members flows because they are operating in different ways due to the proliferation of CCPs. There are plans to harmonize these flows using ISO standards, either ISO 15022 or ISO 20022.

Ms Ha explained the reason for her question is because VSD has plans to launch the CCP model in Vietnam.
2. Ms Nguyen Thi Thu Trang from SBV had a query regarding the custody and settlement of government bonds at Central Bank. Currently in Vietnam, the settlement of government bonds goes through BIDV which is a commercial bank in the country and they are custodied with VSD. However, there are plans to centralise both custody and settlement at the Central Bank. The question was whether there is any existing market guideline on settlement and custody of government bonds with the Central Bank? Alex shared that in general, most countries have their settlement and custody of government bonds at the Central Bank. There will certainly be challenges in centralising the government bonds at the Central Bank. However, it will depend on the current settlement capability in Vietnam. SBV can refer to the existing guidelines which ABMF has worked out, to find out more about the process flows and how they work. In addition, Alex informed that the purpose of ABMF is also to help build up infrastructures in markets in projects such as this one in mention for Vietnam. Alex offered to provide the contacts of ADB who are working for ABMF whom Ms Trang can liaise with.
3. Vinith posed a question on how successful NMPGs/SMPG have/has been in lobbying for changes eg. regulatory changes. Alex explained there are 2 types of NMPGs – the 1st type lobbies for changes in legal framework while the 2nd type focuses to make the current as-in situation work as efficiently as possible with the tools that they have. Lobbying efforts by NMPGs can work but how successful they are depends on the strength of the NMPGs. Successful examples include in Australia where the NMPG managed to reduce the number of Stamp Duty codes. Also in Singapore, the NMPG works very closely with the Singapore Stock Exchange in lobbying for changes in the transaction fees.
4. Ms Dao from HSBC commented that there were no brokers at the kick-off meeting because many were under the incorrect impression that the NMPG is a SWIFT group and only for SWIFT users. However, Alex clarified that the NMPG is not a SWIFT group and SWIFT only helps to set up and facilitates such groups. Cindy added that SWIFT Standards assists to facilitate NMPGs until the group stabilises and may then step down from the group or attend the meeting via conference call (by dialing into the meeting) or via Webex without the need to travel and be physically present. Also, SWIFT Standards may step down from the group when it stabilises and revisit the meetings whenever the need arises. An example quoted is the Malaysia NMPG which has been set up by SWIFT Standards and is now running in its own without the presence of representatives from SWIFT.

3) Discussion on the NMPG in Vietnam

Cindy from SWIFT Standards began by providing a reminder on the role of an NMPG and its objectives as well as reinstating the benefits of having an NMPG. Information about the structure of other existing NMPGs was also shared, quoting examples in US (ISITC is the US NMPG), Singapore, UK and France. The common structure in an NMPG is where there are 1 or 2 co-chairs with 2 or 3 working groups (CA, S&R and Funds). The frequency of meetings is bi-yearly to quarterly meetings consisting of 1 to 2 hours, with additional calls whenever necessary. Generally, there are around 30 plus participants in a typical NMPG consisting of custodians, CSD, brokers, sometimes IMs and sometimes vendors.

Next, the Group proceeded into discussions on the structure and other details of the VN NMPG. There was a call for a Chair/Co-Chairs for the Group. Cindy explained that the Chair/Co-Chairs in the Group are not permanent but usually serve for a fixed term period eg. 2 years, after which a new Chair/Co-Chairs will be selected. Members who are interested to become the Chair/Co-Chairs of the Group can send an email to Cindy (cindy.foo@swift.com). Regarding the Working Groups to be set up within the Group, these will be revisited in subsequent meetings when the Group is more established. The members agreed on the frequency of the meetings as quarterly 1-2 hours meetings facilitated by SWIFT Standards. On the Group's Objectives for 2014/2015, there were no comments on the proposed objectives for the Group. On the topic raised by Minh Ha from SBV regarding the Vietnam Market Practice for late delivery of Fixed Income, Cindy will follow up with Minh Ha to obtain more information and check with the SMPG members.

In order to keep the momentum of the Group going, the date for the next meeting has been tentatively set as 26 June (Thursday) and it will be hosted by Standard Chartered Bank at its office premises in Hanoi. If there are any objections to the proposed date, please revert to Cindy. Alex added that it would be ideal to have brokers as well as securities regulators as members of the Group. Therefore, the members present were encouraged to reach out to other local market participants whom they think should be part of the VN NMPG and invite them to subsequent meetings. The Group also looked through the proposed agenda items for the next meeting. If there are any other topics which the members would like to include in the agenda for the next meeting or subsequent ones, please email them to Cindy.

For full details on the discussion points on the VN NMPG, please refer to the PowerPoint presentation slides which are sent together with the meeting minutes.

4) Final words

There was a general question concerning meeting venues in Vietnam, do industry meetings alternate between the locations of Hanoi and Ho Chi Minh? Vinith advised that it usually makes more sense to hold the meetings in Hanoi as both the State Securities Commission (SSC) and VSD are based there.

There was also a suggestion to organise the VN NMPG into sub-groups according to the needs of the Group so that the appropriate participants can attend the relevant meetings instead of all members having to attend all the meetings. An example was quoted of the Singapore NMPG which has formed 3 sub-committees within the NMPG – (i) Advocacy, (ii) Transactional (housing S&R WG and CA WG) and (iii) Communication. Advocacy is the sub-group where regulators would be ideal participants to.

ACTION ITEMS

- 1) Alex to provide the contacts of ADB who are working for ABMF to Ms Trang from SBV
- 2) Members who are interested to become the Chair/Co-Chairs of the Group to send an email to Cindy by 30 April

- 3) Cindy to obtain more information from Minh Ha (SBV) regarding the late delivery of Fixed Income in Vietnam and check with the SMPG members
- 4) Members at the kick-off meeting to reach out to other local market participants whom they think should be part of the VN NMPG and invite them to the next meeting on 26 June