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| **VIET NAM SECURITIES DEPOSITORY AND CLEARING CORPORATION** |  **THE SOCIALIST REPUBLIC OF VIETNAM** **Independence – Freedom – Happiness** |

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**GUIDELINE ON SETTLEMENT OF GOVERNMENT DEBT INSTRUMENTS, BONDS, GOVERNMENT-fGUARANTEED BONDS ISSUED BY THE POLICY BANK AND MUNICIPAL BONDS**

 *(Issued with Decision no.16/QĐ-VSDC dated 10th August 2023 by Board of Members of Viet Nam Securities Depository and Clearing Corporation)*

**Article 1. Scope of application**

This guideline specifies a number of contents related to settlement and measures to handle temporary settlement defaults of Government debt instrument transactions which include Government bonds, treasury bills and state loans; Government-guaranteed bonds; and Municipal bonds (hereinafter referred to as debt instruments) at Viet Nam Securities Depository and Clearing Corporation (hereinafter referred to as “VSDC”) being trading on Stock Exchange (hereinafter referred to as “SE”).

# **Article 2. Interpretation of terms**

1. *Depository members* (hereinafter referred to as “Members”) are securities companies, commercial banks who operate in Vietnam and are granted with a Certificate of securities depository operations by the State Securities Commission (hereinafter referred to as “SSC”) and approved to be a depository member by VSDC.

2. *Custodian banks* are commercial banks who are VSDC’s members, depositing securities of their own and their customers.

3. *Member s*e*ttlement bank* is a commercial bank who has a deposit account for payment at the Banking Operations Center of the State Bank of Vietnam (hereinafter referred to as “SBV”) and is a direct member of the inter-bank electronic payment system, making cash payment for debt instrument transactions of indirect settlement organizations and (or) of its own.

4*. Trade-by-trade payment* is a method of cash payment in which money transfer among parties involving in transactions via the SBV is carried out on the basis of each transaction immediately after the buyer transfers money and the seller deliver debt instruments.

5. *Trade date* is the date on which debt instruments are traded and trading orders are matched on SEs

6. *Settlement date* is the date on which debt instruments and cash are transferred simultaneously to buyers/sellers of debt instruments on VSDC’s system and the inter-bank electronic payment system of SBV.

7.***Certified authorization (CA)/d****igital signature* is an electronic signature format as designed in accordance with the Decree No. 130/2018/ND-CP dated 27th September 2019 by the Government detailing the implementation of the Law on electronic transactions with respect to digital signatures and the certifying service of digital signatures used by authorized persons of VSDC, depository members, direct account holders, issuers, member settlement banks and SBV to verify their outgoing information and/or data.

8. *Electronic documents* refer to information on business operations at VSDC which is generated, sent, received and stored by electronic means via the VSDC’s terminal-based gateway or ISO message-based gateway and authenticated by digital signatures of authorized persons of VSDC, SBV, depository members, direct account holders and member settlement banks. Documents in electronic form in the Guideline include the following types:

- Electronic reports and electronic transactions are the reports, transactions generated and implemented on VSDC’s system via VSDC’s terminal based gateway;

- Operational message transfer (MT) and FileAct are data files containing information on business operations, structured in accordance with the ISO 15022 standard and exchanged via VSDC’s ISO message-based gateway.

9. *Terminal-based gateway* is an application software environment which allows members, direct account holders and VSDC to exchange information on business operation activities in the form of electronic reports, electronic transactions in an indirect manner through terminals on which VSDC’s software has been installed, placed at the head offices or branches of the depository members, direct account holders, member settlement banks.

10. *ISO message-based gateway* is an application software environment which allows depository members, daccount holder, member settlement banks, the State Bank of Vietnam and VSDC to exchange information on business operations using MT, fileAct directly between the business operation system of Depository members, direct account holders, member settlement banks, SBV and VSDC’s system.

**Article 3. Registration of member settlement bank**

1. Commercial banks wishing to provide cash payment service for Government debt instrument transactions to indirect settlement organizations shall register information with VSDC, the registration dossier includes:

- Application for providing cash payment service for Government debt instrument transactions to indirect settlement organizations (Form 01/TTTP);

- A copy of the written confirmation of membership of the inter-bank electronic payment system by SBV.

2. Within 2 working days from the date of receiving a complete and valid dossier, VSDC shall register information of member settlement bank and send a written confirmation to the member settlement bank.

# **Article 4. Change of information of member settlement bank**

1. Upon any changes of information in the registration dossier of the member settlement bank in terms of bank name, abbreviated name, citad code, the member settlement bank shall send a written notice to VSDC within 1 working day after the effective date of change.

2. Within 1 working day after the date of receiving a written notice of information change, VSDC shall update information of the member settlement bank and send a written confirmation to the member settlement bank, related indirect settlement organizations (if any).

# **Article 5. Suspension/cancellation of providing cash payment service for Government debt instrumnet transactions of member settlement bank**

1. Member settlement bank is suspended from providing cash payment service for Goverment debt instrument transactions in the following cases:

a. Member settlement bank is subject to special control by SBV;

b. Member settlement bank fails to meet obligations according to Clause 2 Article 30 of Circular no.30/2019/TT-BTC dated 28th May 2019 by the Minister of Finance guiding settlement of Government debt instruments, Government-guaranteed bonds issued by the Policy Bank and Municipal bonds (hereinafter referred to as Circular 30)

2. VSDC shall cancel registration of member settlement bank in following cases:

a. voluntarily terminating cash payment service for debt instrument transactions;

b. Being subject to revocation of the License of establishment and operations as a commericial bank.

c. Failing to meet the requirements of a member settlement bank as stipulated in Clause 3, Artile 2 of this Guideline.

3. Dealing with registration suspension/cancellation of member settlement bank:

a. In case of ceasing service provision of member settlement bank under Point b, Clause 1 of this Article, depending on the level of violation committed by the member settlement bank, VSDC shall consider ceasing service provision to some or all registered indirect settlement organizations. The time of ceasing service provision to member settlement bank is specified in the decision on ceasing service provision of cash payment for debt instrument transactions by VSDC.

b. Member settlement banks who suspend/cancel provision of service of member settlement bank are responsible for fulfilling their payment obligations to previously defined debt instrument transactions.

c. VSDC shall send a written notice to related indirect settlement organizations as regards the final payement date of debt instrument transactions at member settlement banks whose registration is suspended/cancelled. The indirect settlement organizations have the responsibility for selecting an alternative member settlement bank and sending the registration dossier to VSDC as stipulated in Article 6 herein.

 d. Within 3 working days after the date on which VSDC receives a document from competent authority, the dossier relating to contents stipulated in Clause 1, 2 of this Article and fulfillment of the payment obligation under Point b, Clause 3 of this Article, VSDC shall suspend/cancel information registration of member settlement bank and send a written confirmation to member settlement bank, SBV, relevant indirect settlement organizations and publish on VSDCC’s website.

# **Article 6. Registering information of selected member settlement banks by indirect settlement organizations**

1. Indirect settlement organizations who are trading members of debt instruments at SE shall select and open deposit accounts for payment of debt instrument transactions at one (1) member settlement bank. The deposit accounts of indirect settlement organizations are opened seperately from the accounts of domestic clients, the accounts of foreign clients and the account of indirect settlement organization. The registration dossier of member settlement banks includes:

a. A written notice of selected member settlement bank and registration of cash accounts for payment of debt instrument transactions at the member settlement bank (Form 02/TTTP);

b. A borrowing/negotiation agreement of cash payment support signed with the member settlement bank.

2. In case of changing member settlement bank, the indirect settlement organization shall send a written notice to VSDC requesting registration cancellation of current member settlement bank and dossier of information registration of alternative member settlement bank. VSDC shall cancel information of member settlement bank upon request of indirect settlement organization after the bank fulfills payment obligations for previously defined debt instrument transactions.

3. Within one (1) working day after the date of receiving the dossier, written notice from indirect settlement organization, VSDC shall send written confirmation to indirect settlement organization, releted member settlement bank and update information of member settlement bank on VSDC’s system.

# **Articel 7. Principle of settlement for debt instrument transactions**

1. Basing on the trading results provided by SE, VSDC shall determine the obligation of debt instrument settlement and cash payment to related members, direct account holders in accordance with each investor’s transaction matched on SE.

2. The sell-side investor must ensure that sufficient debt instrument are available on the trading date, including:

a. The number of debt instruments available on depository account on the trading date.

b. The number of debt instruments received as a result of borrowing from VSDC’s SBL system on the trading date.

c. The number of debt instruments received from previous buying transactions on depository account on the trading date.

3. In case at the time of selling debt instruments, market-makers do not have suffcicient debt instruments available, the market-makers have to ensure sufficient debt instruments from the following sources before 11:00 of the settlement date:

a. the debt instruments received via VSDC’s SBL system;

b. the debt instruments to be recorded in the market-maker’s depository account arising from buying transactions;

c. the debt instruments received as a result of the State Treasury’ issuance to ensure settlement.

4. Settlement of debt instruments will be made trade by trade within the period time specified in Clause 4, Article 8 of this Guideline under the principle of immediate settlement for transactions with sufficient debt instruments and cash.

5. Custodian banks, direct account holders who are commercial banks and member settlement banks shall perform cash payment for their debt instruments transactions and clients’ via accounts opened at SBV’s inter-bank electronic payment system. Cash payment of debt instrument transactions of indirect settlement organizations is made via one (1) member settlement bank who is selected and registered with VSDC by indirect settlement organization.

6. Delivery of debt instruments is made on VSDC’s system on the basis of transfer of debt instruments between depository accounts of depository members and direct account holders, detailed recording by investor’s account.

# **Article 8. Method and settlement time of debt instrument transactions**

1. VSDC shall make settlement of debt instruments by mode of trade-by-trade immediately after the seller has sufficient debt instruments and the buyer has sufficient money on the settlement date as stipulated by prevailing regulations.

2. Settlement is made under the principle: securities delivery and cash transfer shall be simultaneously carried out on settlement date (DvP).

3. The settlement date of debt instruments is the following day after the trading date (T+1).

4. Settlement time of debt instruments ranges from 9:00 to 15:30 of the settlement date. Process and procedures are stipulated in Item I, Appendix 2 of this Guideline.

#  **Article 9. Reconciliation and confirmation of debt instrument transactions**

1. After receiving the trading results from SEs, VSDC shall send a general notice of trading results, accounts of investors executing sales in shortage of debt instruments, and notice of updating information on investors’ accounts in the form of electronic documents via VSDC’s terminal-based gateway/ISO message-based gatewayto its members or via emails to direct account holders.

2. Members, direct account holders shall be responsible for comparing transaction details between the original orders filed at the members or direct account holders with VSDC’s general notice of trading results; and send confirmation to VSDC in the form of electronic documents via VSDC’s terminal-based gateway/ISO message-based gateway or via emails in accordance with procedures stipulated in the Appendix 2 of this Guideline. In case of errors or data errors, members or direct account holders will send confirmation in the form of electronic document via VSDC’s terminal-based gateway/ ISO message-based gatewayor via emails together with document of error correction and handling to VSDC.

3. If members, direct account holders do not send confirmation of trading results in the prescribed time of this Guideline, VSDC shall consider all trading results to be accurate. In case of any arising errors and losses, such members and direct account holders will have to bear all related responsibilities and be considered for disciplinary actions in the Guideline on Membership and VSDC’s contract of service provision.

4. The reconciliation, confirmation, and error handling of payment orders for debt instrument transactions via the interbank electronic payment system are carried out in accordance with the regulations of the State Bank.

**Article 10. Handling proprietary trading errors**

1. VSDC shall handle proprietary trading errors wherever members, direct account holders enter incorrect number of proprietary trading accounts.

2. Methods of handling proprietary trading errors:

a. Members, direct account holders with proprietary trading errors shall send Request for trading error correction (Form 03/TTTP) by 08:30 on settlement date to ensure that such error correction is made before settlement of such transactions.

b. VSDC shall correct number of proprietary trading accounts of members, direct account holders.

c. Immediately after completing error correction, VSDC shall send Notice of error correction (Form 04/TTTP) to SEs and members, direct account holders asking for such error correction.

 **Article 11. Confirmation of completing securities transaction settlement**

After completing settlement of debt instrument transactions, VSDC shall send Notice of settlement result confirmation in the form of electronic documents through terminal-based gateway/ISO message-based gateway/emails to members, member settlement banks and direct account holders.

**Article 12. Measures to recover temporary cash default of direct settlement organizations**

1. Members who are indirect settlement organizations with temporary cash default for debt instrument transactions use loans from member settlement banks as stipulated in Clause 1, Article 7, Circular 46.

2. Basing on request for securities blockade from the member settlement bank, VSDC shall block the securities that the borrowing indirect settlement organization has agreed to use as guarantee for the loan. The dossier of securities blockade includes:

a. Notice of cash support for debt instrument transactions (Form 05/TTTP);

b. Request for blockade of securities as loan guarantee (Form 06/TTTP);

c. Contract/agreement among parties as regards blockade of securities as loan guarantee.

3. Right after blocking securities, VSDC shall fax the written notice to the member settlement bank for settlement facilitation to indirect settlement organizations to record accordingly. The official written notice will sent to related parties by VSDC within 1 business day after the date of blockade.

4. The consideration of handling violations committed by depository members with temporary cash default shall comply with provisions in the Guideline on Depository member.

# **Article 13. Process after cash support for debt instrument transactions**

1. Members, who are indirect settlement orgnaizations, violating settlement obligations, which leads to the use of loans from member settlement bank shall incur interest and refund the loans to the member settlement bank as specified in the Contracts/agreements of settlement facilitation signed by indirect settlement organizations and the member settlement bank.

2. After the indirect settlement organizations refunds the loan, the member settlement banks shall send Written request for release of securities as loan guarantee (Form 07/TTTP) and related documents (if any) to VSDC.

3. The time for VSDC’s handling the Request for release of securities as loan guarantee from the member settlement bank is one (1) business day from the date of receiving the request from the member settlement bank. VSDC shall send confirmation of release of securities as loan guarantee to the member settlement bank and indirect settlement organizations for recording accordingly.

# **Article 14. Settlement deferral of debt instrument transactions**

1. VSDC shall defer settlement of debt instrument transactions with cash shortage at the buyer’s request approved by the seller.

2. Members/direct account holders shall send written request for settlement deferral due to cash shortage to VSDC (Form 08/TTTP) by 15:30 of the settlement date.

3. Immediately after completing settlement deferment, VSDC shall send Notice of transactions subject to deferred settlement to relevant members/direct account holders, member settlement bank and SEs (Form 09/TTTP).

# **Article 15. Settlement of deferred transactions**

1. The payment method of debt instrument transactions subject to deferred settlement is the same as normal debt instrument transactions.

2. The settlement time for deferred transactions shall be 9:00 ~ 15:00 on the first or the second business day after the settlement date (T+2/T+3) right after the buyer has sufficient money for payment of debt instrument transactions.

3. Measures to ensure member’s settlement of deferred transactions

a. VSDC will block the entire debt instruments in the selling transaction corresponding to the purchase transaction with cash shortage.

b. VSDC will release debt instruments as specified in Points a of this Clause by 17:00 on the first or second business day immediately after the settlement date in case the deferred transactions are excluded from settlement as specified in Point c, Article 16 of this Guideline.

4. The sequence and procedures of settlement shall be in accordance with Section 3, Appendix 02 herein.

# **Article 16. Removal of debt instrument** **transactions from settlement**

1. VSDC shall remove transaction from settlement in the following cases:

a) Erroneous transactions of members/direct account holders in trading Government bonds except cases specified in Clause 1, Article 10 of this Guideline;

b) Transactions with temporary cash default until 15:30 of the settlement date but no request of settlement deferral is sent to VSDC;

c) Transactions subject to deferred settlement and no sufficient cash for settlement by the specified time limit;

d) Debt instrument transactions with bond shortage due to previous purchase was removed or deferred from settlement;

e) Debt instrument transactions with bond shortage due to failing to borrow Government bonds within the time limit specified in point b, Clause 2, Article 7 herein;

f) Debt instrument short-sale without guidance of the Ministry of Finance.

g). Market makers’ debt instrument shortage, leading to settlement failure

2. The time for removing transactions from settlement:

a) By 8:45 on the settlement date for cases as stipulated in Points a, d, e, f, Clause 1 of this Article.

b) By 16:00 on the settlement date for cases as stipulated in Point b Clause 1 of this Article.

c) By 16:00 on the second business day following the settlement date (T+3) for cases as stipulated in Point c, Clause 1 of this Article.

3. VSDC shall send Notices of transactions subject to settlement removal to relevant members, direct account holders, member settlement banks and SEs (Form 10/TTTP).

# **Article 17. Settlement documents**

1. Cash and securities settlement documents in the form of electronic documents of this Guideline are detailed in Appendix 1 attached herewith. If necessary, members, direct account holders and member settlement banks may request for converting files in the form of electronic documents to paper documents. Converted documents shall be valid when satisfying requirements on the integrity of information on source documents, specific signs certified to be converted and signatures, full names of persons conducting the conversion as set forth in Section IV, Circular No. 78/2008/TT-BTC dated 15 September 2008 by the Ministry of Finance guiding the implementation of the Decree No. 27/2007/ND-CP dated 23 February 2007 by the Government on electronic transactions in financial activities.

After being converted from electronic documents, paper documents of VSDC shall be stamped as follows:

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| VIET NAM SECURITIES DEPOSITORYAND CLEARING CORPORATION**DOCUMENT CONVERTED FROM ELECTRONIC DOCUMENT**Full name:Signature:Time of conversion: |

2. If members, direct account holders and member settlement banks are not able to send, receive settlement documents in the form of electronic documents according to this Guideline due to uncompleted connection or disrupted connection of terminal-based gateway/ISO message-based gateway to VSDC, they can send or receive related documents via VSDC’s email (xacnhanketquagiaodich@VSDC.vn) with digital signature and email addresses registered with VSDC by members, direct account holders and member settlement banks.

 **Article 18. Members/direct account holders’ responsibilities in case of deferred settlement, settlement removal of Government bond transactions**

Members/direct account holders with transactions subject to settlement deferral or removal shall compensate clients and members/direct account holders with corresponding transactions in accordance with the provisions of Clause 5, Article 7 and Clause 3, Article 8 of Circular 46.

# **Article 19. Implementation provisions**

1. In the process of implementation should any difficulties arise, relevant parties shall contact with VSDC for instruction and settlement.

2. Any amendment and supplementation to this Guideline shall be determined by Board of Members upon the approval of the State Securities Commission.

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