

SMI Markets: Vietnam

Date: 17 Sep 2014

CMIRR Markets: Vietnam

CSDs: VSD (Vietnam)

## SSC Consults on the Organisation and Operation of Derivatives Market

The State Securities Commission (SSC) has issued a draft circular on the organisation and operation of the derivatives market in Vietnam. Market feedback is invited until 30 October 2014.

The salient features of the draft circular are summarised as follows:

### General

The draft circular provides guidance on:

- general regulations for derivatives trading;
- general terms and conditions of index futures and government bond futures contracts;
- provision of derivatives service activities;
- eligibility, rights and obligations, suspension / revocation of trading members, market makers, direct clearing members and general clearing members;
- rights and obligations of the Vietnam Securities Depository (VSD) as the central counterparty for clearing and settlement for derivatives transactions;
- market surveillance; and
- Reporting and disclosure obligations by market participants, VSD and stock exchanges.

### Clearing fund

- Contribution to the clearing fund can be made either by cash or eligible securities, and will be separate from assets of the VSD;
- The initial fixed contributions for direct clearing members and general clearing members are VND 50 billion and VND 100 billion, respectively; and
- Each clearing member will be subject to a monthly variable contribution determined by a formula.

### Margins

- Upon opening the derivatives trading account, investors must deposit a minimum amount into their margin account. The amount will range from VND 50 million to VND 100 million for individual investors and from VND 100 million to VND 500 million for institutional investors, subject to the clearing member's requirements;
- Depending on the analysis of the market and the risk level of each client, the clearing member can make additional margin calls;
- Both cash and securities will be acceptable as initial margin, which must be deposited prior to trade execution;
- Initial margin and maintenance margin for clients will be decided by the clearing member but cannot be lower than 120% of the minimum margin levels set by the VSD.

The copy of the draft circular can be downloaded here (Vietnamese only): [Draft Circular on the Organisation and Operation of Derivatives](#).

## Market Information Impact

### Vietnam

This information affects the data contained in the Other market where securities are traded sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### Vietnam

Market Rating: BBB  
Market Flash Impact: Stable

Impacted Risk Type: Counterparty Risk  
Current Rating = BBB  
Flash Impact = Stable

Impacted Risk Type: Financial Risk  
Current Rating = BBB  
Flash Impact = Stable

Impacted Risk Type: Operational Risk  
Current Rating = BBB  
Flash Impact = Stable

The circular sets out a comprehensive framework for the planned derivatives market in Vietnam. The introduction of the role of CCP would significantly mitigate counterparty risk but it would also pose financial risk and operational challenges to the depository. If the CCP operations are not ring-fenced from the existing CSD operations, VSD would risk its capital and other financial resources being exhausted in the event of the collapse of the CCP.

Further risk analysis will be provided when the regulation is finalised and the implementation becomes imminent.

## CSD Risk Impact

### VSD (Vietnam)

CSD Rating: A-  
CSD Flash Impact: Stable

Impacted Risk Type: Counterparty Risk  
Current Rating = A-  
Flash Impact = Stable

Impacted Risk Type: Financial Risk  
Current Rating = BBB  
Flash Impact = Stable

Impacted Risk Type: Operational Risk  
Current Rating = A-  
Flash Impact = Stable

The circular sets out a comprehensive framework for the planned derivatives market in Vietnam. The introduction of the role of CCP would significantly mitigate counterparty risk but it would also pose financial risk and operational challenges to the depository. If the CCP operations are not ring-fenced from the existing CSD operations, VSD would risk its capital and other financial resources being exhausted in the event of the collapse of the CCP.

Further risk analysis will be provided when the regulation is finalised and the implementation becomes imminent.

Related Flash: [Approval to Establish the Vietnamese Derivatives Market, 25/03/2014 \(click to view\)](#)

### For further information contact:

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