

GUIDE TO DERIVATIVES TRADING IN VIETNAM FOR OFFSHORE FUND

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1. DERIVATIVES TRADING ACCOUNT OPENING FOR OFFSHORE FUND

Derivatives trading account can be opened at any trading member of derivatives market. Derivatives trading account is a sub-account of the securities trading account. Hence, a securities trading account at the same securities company must be opened before proceeding to open the derivatives trading account.

- ✚ **Section 1.1 in Part 1** provides the procedure for the offshore fund from opening custody account and obtaining a trading code at a custodian bank to opening a securities trading account at MASVN.
- ✚ **Section 1.2 in Part 1** provides the procedure for the offshore to open a derivatives trading account at MASVN after obtaining a securities trading account at MASVN.

1.1 Guide to open securities trading account

1.1.1 Option for Securities Custody in Vietnam for Offshore Fund

In order to invest in Vietnamese securities, foreign investors have two options:

- I. Use an offshore custodian bank which offers custodian services for Vietnamese securities outside Vietnam.
- II. Do an onshore custodian setup to directly hold securities and cash accounts in Vietnam.

List of Custodian Banks in Vietnam:

No.	Custodian Banks In Vietnam
1	Citibank – Ha Noi Branch
2	Deutsche Bank AG – Ho Chi Minh Branch
3	Far East National Bank - Ho Chi Minh Branch
4	JP Morgan Chase – Ho Chi Minh Branch
5	HSBC Vietnam
6	Shinhan Vietnam
7	Standard Chartered Vietnam

1.1.2 Three Steps to Onshore Custody

In order to directly invest in Vietnamese securities, foreign institutional investors must complete the following steps:

- ✚ Step 1: Open custody accounts including securities and cash accounts (Indirect Investment Capital Account) at a custodian bank.
- ✚ Step 2: Obtain a Securities Trading Code, which is used to monitor foreign ownership limits.
- ✚ Step 3: Open trading account(s) with securities companies.

Note: For step 1 and step 2, detailed instruction will be provided by any custodian bank. Step 3 will be instructed in the 1.3 section.

1.1.3 Securities Trading Account Opening

According to Circular No. 74/2011/TT-BTC following by Official Letter No. 2327/UBCK-PTTT, multiple brokers are allowed.

To open a securities Trading Account at MASVN, required documents includes:

No.	Document	Number of copy
1	Securities Trading Code	1 copy
2	Account Opening Contract (provided by MASVN)	1 original with signature and stamp
3	Account Opening Request (provided by MASVN)	1 original with signature and stamp
4	- Fund Establishment License with passport photo of the fund's representative - Or Trustee Agreement with Business Registration of the Fund and passport photo of the fund's representative (in case client does not have the fund establishment certificate)	1 copy
5	POA for authorized traders (provided by MASVN)	1 original with signatures
6	Passport photos of authorized traders	Copies of all passports

1.2 Guide to open derivatives trading account

After obtaining a securities trading account at MASVN, the derivatives trading account will be opened with the required document:

No.	Document	Number of copy
1	Derivatives Account Opening Contract (provided by MASVN)	1 original with signature and stamp

2. TRADING RULES

2.1 Derivatives Product

- ✚ Current available derivatives product includes VN30 Index Futures Contract. 5 year term Government Bond Future will be launched on 5 July, 2019.
- ✚ Each futures contract (FC) has a specific trading code like stocks, which is consent by specific rules and contains information of that contract: **[Name of the underlying asset][F][Maturity time]**
- ✚ For example, the futures contract codes VN30F1906. In which, “VN30” is VN30 Index, F means Futures contract, “19” is the year of maturity (2019) and “06” shows the month of maturity.

2.2 Deposit

- ✚ Depositing into a derivatives trading account follows a 2-step rule, which is:
 - Step 1: Cash transfer from custodian bank to investor’s securities trading account at MAS
 - Step 2: Deposit cash collateral to VSD from the transferred amount to MAS (fee of VND5,500 for each deposit/withdraw at VSD)

2.3 Key Information to Manage Derivatives Trading Account

No.	Content	Level	Notes
1	Initial Margin Ratio	13.5%	
2	Trading limit ratio on total value of the valid margin (Level 1)	80%	
3	Ratio for use of maintained margin (Level 2)	85%	When the Margin Usage Ratio > Level 2 and < Level 3, Client has to supplement additional margin to bring the ratio back to level 1 before 11h on T+1 day. After this period, MASVN will automatically transfer deposit from Derivatives trading account at MAS to VSD or from VSD to Derivatives trading account at MAS to ensure the Margin Usage Ratio of account equal to Level 1.
4	Ratio for use of settlement margin (Level 3)	90%	Right after the Margin Usage Ratio ≥ Level 3, MASVN will automatically transfer deposit from Derivatives trading account at MAS to VSD or from VSD to Derivatives trading account at MAS, and/or force close to ensure the

			Margin use Ratio of account equal to Level 1.
5	Position for individual clients	5,000 contracts	
6	Position limit for institutional clients	10,000 contracts	
7	Position limit for professional clients	20,000 contracts	

Note: These key information is only applied for VN30 index futures, and can be changed from time to time.

2.4 Fees applied to Derivatives Trading

Services	Fees
Open/close position fee during the day (payable to MAS)	VND 1,000 per time
Overnight fees /Expired contract fee (payable to MAS)	
Transaction Tax	0.05% per time
Transfer fee for deposit / withdrawal of margin amount (payable to VietinBank)	VND 5,500 per time
Trading fee (payable to HNX)	VND 2,700/ contract / transaction
Overnight position management fee (payable to VSD)	VND 2,550 / contract/ account / day
Collateral management fee (payable to VSD)	0.0024% x Accumulated Equity Balance (Cash + securities in par value) / account/ month (*)
	Minimum: VND 320,000 / month
	Maximum: VND 1,600,000 / month

Note: Fees are subject to change according to guide(s) from VSD and HNX.

(*): Currently, only cash are allowed.

2.5 Trading Days and Hours:

✚ **Trading days: Monday to Friday (except national holidays)**

✚ **Trading sessions in a trading day:**

Session	Trading Hours	Trading Method	Order Type
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Morning	08:45-09:00	Opening periodic order-matching to determine opening price	LO, ATO
	09:00-11:30	Continuous Matching session I	LO, MTL, MAK, MOK
	08:45-11:30	Put-through transactions	
Break	11:30-13:00		
Afternoon	13:00-14:30	Continuous Matching session II	LO, MTL, MAK, MOK
	14:30-14:45	Closing periodic order-matching to determine closing price	LO, ATC
	13:00-14:45	Put-through transactions	

2.6 Price Ranges

- ✚ Price range regulated on a daily basis: $\pm 7\%$ against reference price
 - Ceiling price (Max price) = Reference price \times (100% + Price range)
 - Floor price (Min price) = Reference price \times (100% - Price range)
 - Reference price is the day-end settle price of the latest trading day

2.7 Order Types

- ✚ **Limit Order (LO):**
 - Orders to be matched at a pre-specified price or better price.
 - Limit orders receive the lowest priority compared to other orders.
 - Limit orders can be entered into the system at any time. The orders remain effective until the end of the trading day or until canceled in the system.
- ✚ **At the Opening Order (ATO)**
 - Orders to be matched at the opening price. ATO orders are only placed during the opening periodic order-matching to determine opening price.
 - ATO orders receive higher priority than limit orders.
 - ATO orders cannot be cancelled once inputted into the trading system. Partially filled or unmatched ATO orders will be automatically canceled at the end of the opening session.
- ✚ **At the Closing Order (ATC)**

- Orders to be matched at the closing price. ATC orders are only placed during the closing periodic order-matching to determine closing price.
- ATC orders receive higher priority than limit orders.
- ATC orders cannot be cancelled once inputted into the trading system. Partially filled or unmatched ATC orders will be automatically canceled at the end of the closing session.

Market to limit order (MTL)

- A market order if not fully executed, the remaining of the order will be changed to a buying limit order with price higher than the latest executed price one more tick size or the ceiling price if the latest equal to ceiling price (for buy order) / a selling limit order with price lower than the latest executed price one more tick size or the floor price if the latest is floor price (for sell order).

Market Fill or Kill order (MOK)

- A market order that must be entire executed; otherwise, the order will be cancelled immediately after input into the trading system.

Market Fill and Kill order (MAK)

- A market order that is executed fully or partially, the remaining of the order will be cancelled immediately after matching.

2.8 Matching Principles


Price priority


- Buy orders at higher prices take precedence.
- Sell orders at lower prices take precedence.

Time priority

- For buy or sell orders at the same price, those entered into the trading system earlier shall take precedence in execution.

2.9 Modification and Cancellation of Orders:

-  Modification and cancellation of orders are implemented for unmatched buy/sell orders or the rest of partially-filled orders which have not been executed.

-  In the continuous order matching, Limit orders are allowed to modify price, volume and cancel on the trading time. The priority of modified orders is determined as follows:

- Modify to reduce volume: the priority of modified orders is unchanged.
- Modify to increase volume and / or modify price: the priority of modified orders is determined since the modified orders are put into the trading.

- ✚ Cancellation/Amendment of orders in periodic order-matching session is not allowed (including orders in previous continuous order matching session).

2.10 Trading Units, Price Tick, and Limitation of Orders

- ✚ Trading unit: 1 contract
- ✚ Price tick: 0.1 index point (equivalent to VND10,000)
- ✚ Limitation of orders
 - Minimum: 1 contract/ order
 - Maximum: 500 contract/ order

2.11 Contract Size and Multiplier Factor

- ✚ Multiplier factor: 100,000 VND
- ✚ Contract size = Contract price x Multiplier factor

2.12 Futures Contract Maturity

- ✚ Maturity month: Current month, Upcoming month, 2 end months of the next 2 quarters (For example: current month is April. Expiry months are April, May, June and September).
- ✚ Last trading day of Futures contract: The 3rd Thursday of maturity month. If the day is identical to a public holiday, last trading day of the contract maturing in the month will be adjusted to be the previous trading day.
- ✚ Settlement method on futures contract maturity: By cash

2.13 Clearing and Settlement

- ✚ Payment method: By cash
- ✚ Payment for gain/loss of positions: On the next business day (T+1), customer's account is debited/credited cash by the gain/loss of positions.
- ✚ Payment on maturity: On the business day after last trading day, customer's account is debited/credited cash by the gain/loss value from settlement of futures contract's maturity.

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