



No.: 08/2016/TT- HDQT

Ho Chi Minh City, 06 April 2016

THE 2015 ANNUAL GENERAL MEETING PROPOSAL

Subject: Operating on the derivative business of the derivative market

Pursuant to:

- *The Law on Enterprises No.68/2014/QH13 issued by the National Assembly of the Socialist Republic of Vietnam on 26 November 2014 and the documents guiding the implementation of Law on Enterprise;*
- *The Law on Securities No.70/2006/QH11 issued by the National Assembly of the Socialist Republic of Vietnam on 29 June 2006 and Amendment, Law amending and supplementing a number of articles of Securities Law No.62./2010/QH12 issued by the National Assembly of the Socialist Republic of Vietnam on 24 November 2010 and some documents guiding the implementation of Securities Law;*
- *The ninth amendment of HSC Charter according to the AGM Resolution No.01/2013/NQ-ĐHĐCĐ dated 24 December 2013,;*

The Board of Directors (*the “BOD”*) would like to submit the permission to operate on the derivative business of the derivative market to the Annual General Meeting of Shareholders (*“the AGM”*) for your respective approval.

It is necessary to launch derivative instruments of the derivatives market into the financial market of Vietnam. The demands that all derivative instruments could meet are to hedge risks and to decide the investors' flexible portfolio as well as to reduce risks of the investors. Therefore, the derivatives market could bring the financial instruments to be hedged risks.

The advantages of the derivative instruments of the derivatives market:

- (1) Having many investing strategies as well as many means to manage the investors' risks
- (2) Decreasing and managing the investors' risks;
- (3) Increasing interestingly the investors' attention on the securities market; attracting foreign investment and solving the shortage of the ownership ratio of foreign investors;
- (4) Flexible settlement. It is not different between payment in the stock transactions and settlement in the derivative transactions. So it is more attractive to the derivative instruments.

Besides the advantages, HSC – a member of the securities market – think that the derivative instruments are one of the most important products of the securities company to intergrate into the international market.

After Decree No. 42/2015/ND-CP issued by the Government dated 05 May 2015 on derivatives and the derivatives market and Circular No.11/2016/TT-BTC dated 19 January 2016 of the Ministry of Finance guiding for a number of contents of the Government's Decree No. 42/2015/ND-CP are promulgated, HSC meets all the demands to operate in the derivatives market, details as follows:

1. The trading member
2. Business registration for derivative consultancy, derivative brokerage and derivative dealing
3. Business registration for supply of derivative transaction clearing and settlement service
4. The market – making member

❖ For Derivative Business

HSC meets the conditions for derivative business in accordance with Item 1 Article 4 Decree No. 42/2015/ND-CP as follows:

- a. Being a securities business institution licensed to conduct all securities business operations in accordance with the Law on Securities;
- b. Meeting the financial condition to register business for all operations of derivative consultancy, brokerage and dealing with the charter capital or equity capital of at least eight hundred (800) billion VND;
- c. Meeting the Ministry of Finance's requirements on business result, liquidity capital ratio and professional operation process;
- d. Not being in the process of consolidation, merger or dissolution, or placed under control or special control, or subject to operation suspension or termination under a decision of a competent agency.

❖ For the derivative transaction clearing or settlement service

HSC meets the conditions for the derivative transaction clearing or settlement service in accordance with Item 2 Article 4 Decree No. 42/2015/ND-CP as follows:

- a. Being a depository member of the Vietnam Securities Depository;
- b. Meeting the financial conditions:
 - For a direct clearing member: Having the charter capital or equity capital of at least nine hundred (900) billion VND;
 - For a general clearing member: Having the charter capital or equity capital of at least one thousand two hundred (1,200) billion VND.
- c. Meeting the Ministry of Finance's requirements on business result, liquidity capital ratio and professional operation process;
- d. Not being in the process of consolidation, merger or dissolution, or placed under control or special control, or subject to operation suspension or termination under a decision of a competent agency.

The BOD would like to submit to the AGM for your respective approval:

1. HSC to become a derivative trading organization and derivative service provider in the derivatives market, details as follows:
 - (i) The trading member
 - (ii) Business registration for derivative consultancy, derivative brokerage and derivative dealing
 - (iii) Business registration for supply of derivative transaction clearing and settlement service
 - (iv) The market – making member

2. The 2015 AGM approved the authorization to the BOD to complete the lawful applications sending to the competent agencies, as follows:
 - (i) The Application for Certificate of eligibility for derivative trading
 - (ii) The Application for Certificate of eligibility for supply of derivative clearing and settlement service
 - (iii) The market – making contract

3. The 2015 AGM approved the authorization to the BOD to amend and supplement the HSC Charter with regulations on derivative trading after Certificate of eligibility for derivative trading and Certificate of eligibility for supply of derivative clearing and settlement service to be granted by the State Securities Committee of Vietnam as well as the Market – making Contract to be signed between HSC and the Stock Exchange.

The BOD would like to submit to the AGM for your respective approval.

**For and on behalf of the Board of Directors
CHAIRMAN**

(signed and seal)

To:

- As mentioned above;
- BOD Office for record

ĐỖ HÙNG VIỆT