SWIFT Messaging Communication: Building a Bridge between VSD and Members

Presented by: SonHai LE
Vietnam Securities Depository
I. Introduction to VSD
II. Original architecture
III. New architecture with ISO 15022 Standards
IV. Development plan

VSD – Vietnam Securities Depository
Introduction to VSD

VSD was established in 2006:

- State-owned company which provides post-trade activities and other related supporting services in Vietnam.
1,822
ISSUERS WHOSE SECURITIES are registered at VSD (4 times as many as in 2006), with 2,346 securities codes (8 times as many as in 2006).

40,397
SECURITIES TRADING CODES have been issued to foreign investors, including 30,754 individual investors and 9,643 institutional investors, 17 times higher than that in 2006.

4.3
MILLION REGISTERED INVESTOR ACCOUNTS on the cash market are managed at VSD, 4.3 times as many as at the end of 2005—the year VSD conducted management of investor-level balance.

732,917
INVESTOR ACCOUNTS registered on the derivatives clearing and settlement system, 42 times higher than that in 2007 in which the derivatives market was launched.

30.4
MILLION BILLION VND, the total value of securities trading settlement in the whole market through VSD in 2005-2021 period.

97
DEPOSITORY MEMBERS, 3 times higher than in 2006 including 38 securities companies, 6 domestic depository banks and 8 foreign depository banks.

204
BILLION SECURITIES registered at VSD, 84 times higher than the balance at the end of 2006.

119.5
BILLION SECURITIES deposited at VSD, 57 times higher than the number of securities deposited at the end of 2006.

25
direct account HOLDERS.
In 2021, the settlement value reached the highest ever with more than **5,498,882 BILLION VND** (~**234 BILLION USD**) increasing 1.3 times compared to 2020 and 87 times compared to 2006 when the new market came into operation.
The total value of profit/loss position payment in 2021 reached **8.8 TRILLION VND (~ 375 MILLION USD)** nearly doubled in comparison with 2020 and 19 times as much as that in 2017.
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VSD – Vietnam Securities Depository
Original architecture

DM connect to VSD via VSD Terminal using proprietary message format:
- Simple XML-Format
- Developed by VSD to transfer message between VSD Terminal and VSD Core system
- 3 Types of message format (transaction, report and query message format)
- Using local, not public to DM.

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Disadvantages

- Data mismatch (data input in DM system and then VSD Terminal)
- Proprietary message format not compliant with international standards (FIX, ISO,…), difficulties in connecting to international organization, cross-border trading,…
- Complexity of managing VSD Terminals located in DM (with more than 300 VSD Terminal)
- Complex business processes, DM staff must follow too many steps to complete one business process
- Difficulties in application upgrades

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Moving to Core2Core business with ISO 15022

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Benefits

- Data integrity in DM system and VSD system (data input ONLY in DM system)
- More control in business data security
- Using ISO 15022 Message format compliant with international standards, easy to connect to international organization.
- No need to arrange resources to manage VSD Gateway Client located in DM
- Shorten business processes steps
- Easy to upgrade VSD Client (DM manage VSD Client, over 300 VSD Terminal vs. 100 VSD Gateway Client)
Milestones

- **02/2015**: Start working with SWIFT to transform business process into ISO 15022 Message format.

- **01/07/2015**: Start using ISO 15022 Message format in cash market
  10 DMs join the system in phase 1
  
  Business process applied: account opening/closing, securities deposit/withdrawal, transfer of securities, confirmation of trading results, confirmation of right distribution list.

- **21/07/2015**: VSD held the Announcement Ceremony - Adoption of ISO 15022 Message to the Gateway of VSD.

- **10/08/2017**: Derivatives market go live using ISO 15022 Message format.

- **03/2021**: Start using ISO 15022 Message format in Open-Ended Funds services.

- **Now**: 100% DMs join the system.

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Announcement Ceremony - Adoption of ISO15022 Message to the Gateway of VSD
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Development plan

- Communication Portal for Issuers.
- Brand new CORE for securities registration, depository and settlement.
Thank you