

Fund management companies be prohibited from using raised capital for financial investment

This is one of the contents prescribed at the Circular No. 146/2014/TT-BTC dated October 06, 2014 of the Ministry of Finance guiding the financial regime for securities companies and fund management companies, branches of foreign fund management companies licensed to be established and operate in Vietnam.



Accordingly, securities companies and fund management companies shall manage, use and keep track of all existing assets and capital, and conduct accounting under current accounting regulations; fully, accurately and promptly reflect the use and developments of capital and assets in the course of business operation, clearly define responsibility of and sanctions against sections and individuals that cause damage to or loss of assets and capital of these companies. Particularly, fund management companies shall use only their equity capital for their financial investment activities and be prohibited from using raised capital for financial investment.

Also in accordance with this Circular, Securities companies and fund management companies shall maintain financially prudential ratios, ensure their solvency and comply with relevant provisions. Financial prudence may be ensured through purchasing professional liability **insurance** or setting aside investor protection fund/hedging and loss-offsetting fund; setting aside securities write-down provision; setting aside provision for loss of long-term financial investments; setting aside financial and professional risk provision and setting aside non-performing loan provision as prescribed for enterprises. Within that, a provision for loss of long-term financial investments shall be set aside at the end of an accounting period when annual financial statements are made. In case the actual value of securities cannot be determined, securities companies and fund management companies may not set aside the securities write-down provision.

This Circular takes effect on November 21, 2014, and applies from the fiscal year of 2014.