

Viet Nam

Bond Market Guide

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I. Structure, Type, and Characteristics of the Market

A. Overview of the Viet Nam Domestic Bond Market

When the Viet Nam securities market started in 2000, government bonds were the only major products to be listed for trading on the market. Before 2006, government bonds were issued via auction at both the Hanoi Securities Trading Center (HASTC) and the Hochiminh Securities Trading Center (HOSTC); the former changed its name to Hanoi Stock Exchange (HNX) in 2009, the latter changed its name to Ho Chi Minh Stock Exchange (HOSE) in 2007. Since 2006, in accordance with *Decision No. 2276/QD-BTC* of the Ministry of Finance (MOF) on the centralization of government bonds bidding, all government bond issuance via auction has been exclusively conducted by HASTC/HNX. Prior to 2009, government bonds were allowed to be listed and traded on both HOSE and HNX. In September 2009, government bonds are exclusively listed and traded on HNX. This change was made in accordance with *Decision No. 86/QD-BTC* on the approval of the “Plan on Building a Specialized Government Bond Market,” wherein HNX was assigned as the only organizer of the secondary market for government bonds of Viet Nam. In addition to auction, government bonds are also issued via underwriting conducted by issuers themselves. Before 2010, government bonds are issued by two agencies, namely the State Treasury and the Vietnam Development Bank (VDB). However, from 2010 onwards, only the State Treasury is authorized by the government to carry out government bond issuance. In addition, the Vietnam Development Bank (VDB) and two other institutions, namely the Vietnam Bank for Social Policy (VBSP) and the Vietnam Expressway Corporation (VEC) are significant issuers of quasi-government bonds, or government-guaranteed bonds.

In September 2009, HNX established an electronic bond-trading system for government bonds. The operation of the new system was built completely separate from the bond market, with a transaction model suitable for the government bond market in Viet Nam. The new trading platform releases basic bond-related information such as issuers, members, prices, schedules, and settlement. It allows the identification of repurchased (repo) trades for the first time. This helped enhance transparency and increase liquidity in the bond market. Under the new system, the Treasury gives the exchange early notice on plans for capital mobilization, and

releases, quarterly and annual reports. Transactions take place from 8:30 a.m. to 11:00 a.m. local time. Securities companies and commercial banks are also able to trade directly on the new platform, with bonds being deposited at the Vietnam Securities Depository (VSD).

In recent years, Viet Nam's bond market has improved significantly as the government continues to initiate reforms and pass enabling legislation. Local government bonds—both in Viet Nam dong and US dollar—are issued in large lots while streamlined procedures continue to ease corporate bond issuance.

Government and government-guaranteed bonds issued by VDB, VBSP and VEC bonds hold a big share of the domestic debt market of Viet Nam, making up more than 90% of the market, followed by municipal and corporate bonds. Government bonds are commonly issued with tenors of 3 and 5 years. Other maturities such as 1, 2, 7, 15 years are available but each accounts for a small percentage in the whole government bond portfolio. Convertible bonds, all of which are corporate bonds, have also been introduced.

Bonds are typically purchased at initial auctions by insurance companies, banks, and individuals, and are held until maturity. In the absence of mutual funds and pension funds, banks play the role of market participants.

Government bonds are issued through both auction and underwriting while corporate bonds are mainly issued via underwriting. Government-guaranteed bonds issued by VDB, VBSP and VEC are required to be issued via the auction method on the Hanoi Stock Exchange. A number of licensed securities companies are authorized to provide brokering and agency services for the government bond market, as well as a full range of securities services including underwriting, brokerage, advisory, portfolio management, and trading in the corporate bond market.

To expand the equity side of the capital market without committing itself to outright privatization of state enterprises, the government has implemented “equitization”¹ of state-owned enterprises (SOEs). A number of SOEs plan to issue both local and international bonds.

In September 2003, the State Securities Commission (SSC) issued the “Capital Market Roadmap” with the development of the bond market as one of its key aims. There are three phases to the roadmap, which can be found in the Asian Development Bank website.²

The government's first international bond issuance in October 2005 was a resounding success. It also issued local bonds denominated in US dollars to attract domestic savings.

According to statistical data, there were 452 government bond issues trading on HNX by 31 December 2011, with the total listing value reaching VND285,242 billion.

¹ In this context, equitization means restructuring and initial public offering (IPO).

² Government of Viet Nam. State Securities Commission. 2003. *Viet Nam Capital Market Roadmap*. http://www.adb.org/Documents/Books/VIE_Capital_Market_Roadmap/

The year 2011 was recognized as the most successful year to date in terms of operating the government bond auction activities on HNX, with 130 auction sessions and a total mobilized value of VND81,715.8 billion, a three-fold increase over the year 2010.

The government bond trading system on HNX continues to run safely, with an average trading value of VND363,8 billion per trading session. Trading activities of foreign investors was strong, with the trading value reaching VND27,575.95 billion in 2011, accounting for 30.56% of the total trading value of the market.

After 2 years of operation, the government bond market member base has increased significantly number, from originally 25 members to now 93 members for both primary and secondary markets, comprising most of the financial institutions in Viet Nam, across commercial banks, securities companies, financial investment funds, insurance companies and other institutions. The stronger participation by government bond market members has improved the linkage between the government bond market and the capital market at large and the money market, stabilized the market interest and created greater stability for the macro-economy.

In order to provide a highly exact bond benchmark yield curve to the market which helps investors make better investment decisions in the bond market, HNX has upgraded its information and trading system, and has been building a Bond Benchmark Yield Curve. This curve will first be published in the 1st quarter of 2012.

B. Types of Bonds

1. By Issuer Category

a. Bonds Issued by Public Entities

Currently, there are three categories of long-term government instruments in the market: government bonds, government-guaranteed bonds, and municipal bonds. Treasury bills, on the other hand, are categorized as short-term instruments. Treasury bills are not traded on the local exchanges and are only available to commercial banks that maintain accounts with the State Bank of Vietnam (SBV). Treasury Bills are kept in SBV's custody accounts. All listed long-term fixed-income securities are immobilized at the VSD, traded on the exchanges, and transferred electronically. The settlement cycle is T+1.

i. Government Bonds

Government bonds are issued by the MOF through the State Treasury. Government bonds are issued in two methods—auction and underwriting—with auction as the dominant method compared with underwriting. All government bond auctions are conducted via the HNX. Proceeds from government bond issuance are used to finance public service-related projects such as energy, infrastructure and education projects, including the implementation of social welfare policies and monetary policies.

ii. Government-Guaranteed Bonds

Government-guaranteed bonds are bonds with a maturity of more than 1 year, issued by authorized entities to mobilize capital for investment projects as appointed by the Prime Minister. The main issuers include the VDB, Vietnam Bank for Social Policies, and Vietnam Express Corporation.

Before 2010, bonds issued by the VDB were also called government bonds; however, beginning 1 January 2010, these have been classified as government-guaranteed bonds.

iii. Municipal bonds

Municipal bonds are used for financing specific projects, and typically have a tenor of 1 year or more. The average size of municipal bonds is equivalent to USD10 million. There are only three known issuers: Ho Chi Minh City, Hanoi, and Dong Nai province. Issuance is subject to strict monitoring and approval by the central government. Ceiling rates are defined by MOF (ca 20-30 basis points [bps] over government bonds). Theoretically, these bonds can be held either as registered or bearer instruments denominated in Vietnamese dong, but most of them are scrippless.

All government bonds, government-guaranteed bonds and municipal bonds are listed on the HNX only, with an average size of equivalent to USD20 million. Approximately 90% of all bonds issued in Viet Nam are government bonds and are scrippless. Government bonds are dematerialized by book-entry system within the VSD and the exchange of the Vietnam Central Bank. All government-type bond trading is done via put-through and electronic matching on the HNX electronic bond system. Listing of bonds means the exchange is used for trade-matching purposes. At the same time, bond ownership transfers are not valid unless bond transactions are recorded on HNX's electronic bond system and settled at VSD.

Viet Nam successfully launched its maiden sovereign bond issue (denominated in US dollar) in October 2005, and USD1 billion sovereign-bond proceeds were used to finance key refinery, power, and cargo ship projects in September 2007. In February 2009, the government issued the first US dollar-denominated government bonds to domestic investors.

Beginning September 2009, all government bonds have been pooled and traded on the government bond system of the HNX. As of 31 December 2011, the total number of government bonds in Viet Nam was 452, with a total value of VND285,242 billion, which is equivalent to 11.4% of gross domestic product (GDP). Designed with two trading types—outright trading and repo trading—the government bond-trading system of HNX has been operated in a stable, secure manner that fulfills the needs of market participants. The total trading value in 2011 reached VND90,221.6 billion, with an average value of VND363.8 billion per session, which is equivalent to 98.2% of the total market trading value; the value of outright trading was VND88,628.68 billion and that of repo trading was VND1,592.91 billion, which is equivalent to 1.8% of the total market trading value. In 2011, foreign investors returned to trade actively in the government bond market. Bonds with remaining maturity of about 2 years were most frequently traded, accounting for 30% of total market trading values, followed by 3-year (22.6%), 1-year (17.8%), and 10-year maturity bonds (12%).

Access to HNX's electronic bond system is for members only. Non-members have to use the brokerage services of any of HNX's members. The number of market participants has been increasing as well. On the opening date on 24 September 2009, there were only 30 trading members. One year later, the market attracted 13 new members, which increased the total number of involved trading members to 43, with 26 securities companies and 17 foreign commercial banks. Two years later, the market has 93 members for both primary and secondary markets. Commercial banks have played an important role in creating secondary-market liquidity with their involvement in both the capital and monetary markets; commercial banks are building a bridge between these two markets.

Bond market information is distributed automatically to regulators, trading members and investors through the diversified information infrastructure of the HNX including *Infobonds*, websites, bulletins, and a network of HNX's information vendors. Besides, HNX carries out electronic storage and data accumulation from different sources to secure electronic data for the bond market. Pursuant to regulations, HNX has the official mandate to maintain a comprehensive database on government bonds. This database is used as the official source on the Viet Nam government bond market by regulators.

In the primary market, government bonds are issued through bidding and underwriting. All government-bonds bidding is done via the HNX while underwriting is conducted by the issuer itself (i.e., the State Treasury), which accounts for a small percentage of bond issuances since 2009. Bond bidding is compulsory for all government-guaranteed bonds and underwriting is not allowed for guaranteed bond issuance.

In 2011, HNX organized 130 bidding sessions with a total mobilized value of VND81,715.8 billion (a 3-fold increase compared to 2010, which was the most successful year in terms of operating bidding activities at HNX to date. Total bid placing volume by market participants (VND226,595 billion) was larger than government bid offer volume (VND193,550 billion). The bidding winning rate gained 42.2% on the total offering volume by issuing entities (a 10-fold increase compared with the year 2010). The significant milestone in bidding activities in 2010 was that HNX cooperated with the State Treasury to drastically boost bidding in big lots throughout the year, and had been carrying out the restructuring of the number of bonds in the market.

In terms of yields, secondary market information reflected financial market realities. Specifically, trading yields of 1-year, 2-year, 3-year bonds declined during the year 2010, which is consistent with the tendency of yields recorded in government bond auctions on the primary market of both government bond market and money market. Besides, the growth in trading showed that the government bond system initially had an impact on capital turnover channels among members. Thus, besides monetary market and open market operations (OMO), the government bond market supported members' liquidity, especially in tight liquidity situations. In 2011, trading yields of 1-year, 2-year, and 3-year bonds have increased compared with 2010. However, it is still lower than the commercial bank system's average mobilization interest rate, by around 190 basis points.

b. Bonds Issued by Private Entities

Under the new *Decree 52/2006*, joint-stock companies, SOEs being restructured into limited liability companies, and foreign-invested companies operating in Viet Nam would be eligible to issue bonds. The new decree stipulates that enterprises will be fully responsible for issuing bonds and making subsequent bond payments, and commit that capital raised from bonds will only be used for investment projects, resettlement of long- and medium-term loans, and raising operational capital. Bond issuances must also be executed in a transparent manner, guaranteeing the rights of investors. To be eligible, companies have to satisfy conditions of operating for at least 1 year, file an audited financial report demonstrating profitable operations in the previous year, and seek approval from relevant authorities for their issuance plan.

Corporate bonds are issued by companies and SOEs. These bonds can be held in bearer or registered form, and are normally categorized as unlisted bonds at the outset. Unlisted corporate bonds are registered and held in the form of securities booklets, and are generally put in bank vaults for safekeeping. In this case, banks also play the role of registrar. By fulfilling certain conditions, corporate bonds can be listed and traded on HNX and HOSE, depending on which exchange corporate bond issuers may chose to have their bonds listed. Listed corporate bonds are electronically transferred and settle on T+3, just like equity. Most corporate bonds listed on HNX have a face value of VND100,000, whereas unlisted corporate bonds, especially those of several large SOEs, can have a face value of VND1billion. Common to both types of bonds is a tenor of 5 years or more. Convertible bonds were first issued in 2006 and denominated in Viet Nam dong. The corporate bond market has grown rapidly since 2009 due to improvement in the legal framework.

c. Money Market Instruments

The commonly available money market instruments apart from time deposits and Certificates of Deposit (CDs) are:

i. Treasury Bills

Treasury bills are issued by the State Treasury at tenors less than 1 year (normally 13 weeks, 26 weeks, and 52 weeks). These are discounted securities with a face value of VND100,000. This instrument is issued to temporarily finance the state's budget deficit or help the SBV in controlling monetary policy. These bills are issued in the form of book entry, currently kept in custody with the SBV, and are open-market instruments.

Viet Nam will have T-bills traded exclusively on HNX's electronic bond system by May 2012. This plan is envisaged to create a secondary market for T-bills.

ii. State Bank of Vietnam Bills

Up to now, there is only one issuance of SBV bills sold on 17 March 2008. Banks were required to buy VND20.3 trillion worth of bills, and were not allowed to trade them with the central bank, aiming to withdraw cash from the economy and actively control liquidity.

iii. Repos of Government Bonds

Repos were introduced in 2003. Government bonds (including T-Bills and government bonds with maturities of more than 1 year) are accepted as collateral for repos between commercial banks and SBV. Such repos are conducted on the open-monetary market.

Government bonds with maturities of more than 1 year are commonly used as collateral for repos between securities firms, commercial banks, and financial firms. Trading of these repos are done on HNX's bond system, mainly via the put-through method. Municipal bonds are legally acceptable as collaterals for repos; but in reality, they are rarely used.

2. By Listing Status

a. Exchange Listing

Government bonds (including Treasury bonds, government-guaranteed bonds, and municipal bonds) are automatically and exclusively listed and traded on the HNX. Corporate bonds can be listed on HNX or on HOSE, and corporate issuers are the ones to decide whether to list their bonds.

To be qualified for listing on any exchange, corporate issuers have to satisfy the listing requirements set out in the *Securities Law* and by-law documents. Under the *Securities Law*, listing is done to make securities eligible to be transacted at the stock exchanges. Listed bonds in Viet Nam generally mean that (1) they are traded on the exchange, (2) the securities are scripless (dematerialized by book-entry system), and (3) they are registered and settled at the VSD.

Transfer of ownership occurs simultaneously with settlement. Transactions in listed bonds can be negotiated outside the trading platforms of the exchanges. However, for the transfer of bond ownership to take place, these transactions must be put through the exchange's trading platform. As stipulated in the *Securities Law*, securities registration means the record of ownership and other rights of securities owners.

Government bonds (including Treasury-issued bonds, government-guaranteed bonds, and municipal bonds) are exclusively listed and traded on the HNX. The purposes of bond listing on the exchange are profiling, regulation, price discovery, and information gathering and dissemination.

b. Non-Listed and Over-the-Counter Traded Bonds

Corporate bonds are mainly non-listed.

Unlisted public companies' securities are immobilized by book-entry system within the VSD, and transfer of ownership occurs simultaneously with settlement. In this case, VSD is the registrar or the book-entry account holder.

Other non-listed bonds are registered and held in the form of securities booklets, and are generally put in bank vaults (local custodian) for safekeeping. In this case, banks play the role of a registrar.

c. Corporate Bond Transfer to the Hanoi Stock Exchange

Private companies and state-owned companies may transfer their bonds to the HNX for listing and trading upon fulfillment of the following listing criteria:

- (i) Has a minimum paid-in capital of VND10 billion;
- (ii) The issuing company needs to be a stock company, a limited liability company, or an SOE;
- (iii) Should have profitable business operations for 2 consecutive years prior to applying for listing; and
- (iv) Has a minimum of 50 bondholders.

3. By Note Forms

- a. Government bonds are scripless (dematerialized by book-entry system within the VSD).
- b. Corporate bonds may be in bearer form or registered form. Listed corporate bonds have to be deposited at the VSD to be eligible for trading on the exchanges.
- c. Global notes are not applicable in the Viet Nam market.

C. Methods of Issuance and Settlement of Bonds

Most bonds in Viet Nam are issued via auction and underwriting.

1. Government Debt

Government bonds have tenors of 2, 3, 5, 7, 10, or 15 years, and are issued by the MOF through the State Treasury and auctioned via HNX with a minimum par value of VND100,000. All government bonds are legally listed right after being issued and are in dematerialized form.

T-bills normally have tenors of 13, 26 and 52 weeks and are also issued by the MOF through the State Treasury. These are auctioned via the SBV and are in physical form.

The MOF limits T-bill purchases and trading to local or overseas Vietnamese organizations, or individuals and foreign organizations, or individuals working and living in Viet Nam. Therefore, foreign investors without a legal presence in Viet Nam are prohibited from trading T-bills.

While no secondary market for T-bills exists at present, the MOF has authorized HNX to create and operate an electronic platform for T-bills by May 2012. MOF expects this move to help create a secondary market for T-bills.

2. Corporate Debt

Corporate bonds are issued by corporations, bearer or registered form with a minimum par value of VND100,000 and a tenor of 1 year or more if they wish to be listed on the exchanges. Corporate bonds are normally in physical form until they are listed.

D. Credit Rating Agencies and Credit Rating of Bonds

Currently, there is no domestic credit rating agency in Viet Nam. Global rating agencies such as Standard & Poor's (S&P), Moody's Investor Service, Fitch Ratings, and Rating and Investment Information (R&I) have assigned credit ratings for Viet Nam. Viet Nam's first credit rating agency, Vietnamnet Credit Ratings Centre, opened in June 2005, but discontinued its operations after less than 1 year.

Rating selection involves information gathering, analysis, and monitoring of the financial health of an issuing entity. The rating methodologies and procedures for each rating agency can be found in the MOF website.³

E. Corporate Bond-Related Systems for Investor Protection (Disclosure Rules)

Issue authorization and disclosure duties for public offering of bonds are as follows:

After registration, actual (corporate) bond issues should obtain the SSC's authorization for issuance of bonds with a set of disclosure information.

1. Conditions for Offering Bonds to the Public

- a. The enterprise must have a paid-up charter capital at the time of registration for public offering of at least VND10 billion in book value.
- b. Being profit making in the year preceding the year of such registration for offering, it must have no accumulated losses up to the year of registration for offering or overdue debts of over 1 year.
- c. It must have a plan for offering and use and refund of capital received from the offering approved by the Board of Management, Board of Members, or the enterprise's owner.
- d. It must commit to fulfill obligations of the issuer towards investors, meet conditions for issuance and payment, and ensure investors' legitimate rights and interests, and other conditions.

2. Conditions for Offering Securities to the Public, Overseas, and Other Specific Cases

The government shall stipulate the conditions for offering securities to the public applicable to SOEs, foreign-invested enterprises (FIEs) that are transformed into joint stock companies, and newly established enterprises in the fields of infrastructure or high technology. It shall also set out the conditions for offering securities overseas and other specific cases.

3. Registration of Offering Securities to the Public

- a. The issuer offering securities to the public have to register with the SSC.
- b. The following cases are not subject to registration for offering securities to the public:
 - (i) Offering of bonds of the Vietnamese Government;

³ Government of Viet Nam. Ministry of Finance. http://www.mof.gov.vn/portal/page/portal/mof_en/Search%20detail?p_itemid=2736893&p_itemtype=2321838

- (ii) Offering of international financial institutions' bonds accepted by the Vietnamese Government;
- (iii) Offering of shares to the public by SOEs, which are transformed into joint stock companies; and
- (iv) The sale of securities upon a court judgment or decision, or the sale of securities by managers or persons entitled to assets in case of bankruptcy or insolvency.

4. Information prior to Public Securities Offering

At the time the SSC reviews the public securities offering registration dossier, the issuer, underwriter(s), and other relevant organizations and individuals may only use, in an honest and accurate manner, the information described in the prospectus submitted to the SSC to explore the market, provided that they clearly specify that the information on the date of issue and the securities selling price are the proposed information. Exploring the markets must not be conducted through the mass media.

5. Effectiveness of the Public Securities Offering Registration

- a. Within 30 days from the date of receipt of the valid dossier, the SSC shall examine and grant the Certificate for Public Securities Offering. In case of refusal, it must respond in writing and clarify the reasons thereof.
- b. The Certificate for Public Securities Offering granted by the SSC is a document certifying that the public securities offering registration dossier fully satisfies the conditions and procedures provided by law.
- c. Within 7 days from the date the Certificate for Public Securities Offering comes into effect, the issuer shall publish the Announcement of Offering in three consecutive issues of one electronic newspaper or written newspaper.
- d. The securities shall only be offered to the public after the announcement has been made, as stipulated in clause 3 of Article 20 of the *Law on Securities*.⁴

6. Distribution of Securities

- a. Distribution of securities shall only be conducted after the issuer ensures that securities buyers can access the prospectus in the public securities offering registration dossier announced at places mentioned in the Announcement of Offering.
- b. The issuer, underwriter, or issuing agency must distribute securities in a fair and public manner, and ensure that the time limit for registration of buying securities applicable to investors is at least 20 days. Such time limit shall be stipulated in the Announcement of Offering.
- c. In case the amount of securities registered to buy exceeds the amount of securities permitted to be issued, the issuer or the underwriter shall distribute the securities permitted to be issued to the investors in proportion with their purchase registration rate.
- d. The money paid for securities shall be transferred into a blocked bank account until the issue is completed and reported to the SSC.

⁴ Clause 3 of Article 20 of the *Law on Securities* states that, "within seven days after a certificate of public offering of securities becomes effective, the issuing organization shall publish an issuance announcement on an electronic or printed newspaper for three consecutive issues."

F. Governing Laws on Bond Issuance

The following are the regulations related to corporate bonds and government bonds.

1. Government Bonds

- a. *Circular No. 29/2004/TT-BTC* dated 6 April 2004 provides the guidelines on issuance underwriting and issuance agency for government bonds, government-guaranteed bonds, and municipal bonds.
- b. *Circular No. 21/2004/TT-BTC* issued by the MOF provides the guidelines on tenders of government bonds, government-guaranteed bonds, and municipal bonds via the centralized securities trading market.
- c. *Decision No. 46/2006/QD-BTC* provides the guidelines on the issuance of large lots of government bonds to strengthen capital mobilization, enhance the liquidity of government bonds, and help build a benchmark rate for debt instruments.
- d. *Circular No. 132/2010/TT-BTC* dated 7 September 2010 issued by the MOF provides the guidelines for the amendment and supplement to *Decision N. 46/2006/QD-BTC*.
- e. *Regulation No. 46/2008/QD-BTC* dated July 1, 2008 and issued by the MOF to provide rules for government bond trading management at the Hanoi Securities Trading Center (HaSTC, former name of HNX).
- f. *Circular No. 19/2004/TT-BTC* dated March 18, 2004 and issued by the MOF to provide guidelines for T-bill and foreign currency bond auctions via the State Bank of Vietnam.
- g. *Regulation No. 935/2004/QD-NHNN* dated July 23, 2004 and issued by the State Bank of Vietnam (SBV) to provide guidelines for T-bill and foreign currency bonds auctions via SBV.
- h. *Decree 01/2011/ND-CP* regulates the issuance of government bonds, government-guaranteed bonds, and municipal bonds. It took effect on 29 February 2011, and is expected to boost the development of Viet Nam's bond market.
- i. *Circular 17/2012/TT-BTC* dated February 8, 2012 issued by MOF provides guidelines for Government Bond Issuance in the domestic market.

Decree 01, which replaced *Decree 141*, is the legal basis to standardize activities in the primary government bond market. *Decree 01* contains many new provisions on the formation of a professional and effective bond market in accordance with standard international practices. This new decree includes significant changes such as linking government bonds issuance with public debt management under the new *Law on Public Debt Management*, which came into effect in 2010. The decree also unifies both foreign and local government bond issuance in a single decree instead of two, namely *Decree 141* and *Decree 53/2009/ND-CP* regarding the issuance of international bonds. In addition, the decree allows government bond issuance to be used to restructure debts and debt portfolios; it also allows bond swapping and buying back bonds before the due date. This step paves the way to restructure the currently small and fragmented bond market.

Another positive aspect of *Decree 01* is that it requires the MOF to gradually set up a market-maker system to raise bond market liquidity. Membership conditions are prescribed by the MOF and are outlined in the decree. Participants in bidding and bond underwriting practices specified in the decree will be considered and recognized as system members, provided they satisfy the said conditions.

The new decree provides clearer and stricter regulations regarding bond issuance and buying, which will allow for more effective control of capital usage for government bonds. While *Decree 141* restricted the use of capital from bond issuance to offset the budget deficit in the annual estimation approved by the National Assembly, *Decree 01* allows government bond issuance not only to compensate the temporary budget deficit and be used as budget expenditure for developing investment, but also to restructure government debts by lending to other organizations, and to ensure national financial security. As such, it will help issuers to use government bond capital more flexibly and effectively, and create conditions favorable to maintaining continuous and regular issuance to help develop the market.

2. Corporate Bonds

- a. *Securities Law 2006 No. 70/2006/QH11*⁵ is the highest regulatory document governing the listed and public corporate bond issuance and trading.

This law stipulates that an issuer who wishes to make a public offering of bonds must prepare certain documents and follow disclosure requirements, prior to a formal approval by the SSC. It stipulates the issuer's responsibilities to maintain a healthy financial condition to meet its financial obligations to bondholders. This law clearly mentions disclosure rules and practices for issuers.

Viet Nam's National Assembly passed a law amending the 2006 Law on Securities (known as the Amended Law), and became effective on 01 July 2011. The Amended Law revisits a number of issues on securities, securities business and the securities market. For further explanation, visit the following Freshfields Bruckhaus Deringer website.⁶ To access the Amended Law itself, visit the following Legal Normative Documents, Ministry of Justice website.⁷

- b. *Enterprise Law 2005 No. 60/2005/QH11* facilitates the means for issuing debt for a shareholding firm by stating their rights to issue corporate bonds, convertible bonds, and other types of bonds.⁸

The law prohibits enterprises from issuing bonds when they do not exhibit a sound financial position, having indications of either low debt-servicing capability or below-average profitability. More specifically, a company is not allowed to issue bonds if:

- (i) It fails to make full repayment for the principal and interest of issued bonds, or do not pay or make full payment of due debts in the last 3 consecutive years.
- (ii) Its average after-tax-profit rate in the last 3 consecutive years is not higher than the interest proposed to pay for bonds to be issued.

⁵ Government of the Socialist Republic of Viet Nam. 2006. *Law on Securities (70/2006/QH11)*. Legal Normative Documents, Ministry of Justice website. http://moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=4745

⁶ Freshfields Bruckhaus Deringer website. <http://www.freshfields.com/publications/pdfs/2011/mar11/30008.pdf>

⁷ Ministry of Justice. http://moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10492

⁸ Government of the Socialist Republic of Viet Nam. 2005. *Enterprise Law (60/2005/QH11)*. <http://www.vietnamlaws.com/freelaws/Lw60na29Nov05Enterprises%5B10Apr06%5D.pdf>

- c. Law amending and supplementing a number of articles of *Securities Law No. 62/2010/QH12* dated 24 November 2010.
- d. *Circular No. 17/2007/TT-BTC* dated 13 March 2007 detailing Investor Profile Questionnaire (corporate bond included).
- e. *Decision 07/2008/QD-NHNN* by the SBV governs particular credit institutions operating in Viet Nam, including state-run and joint-stock commercial banks, foreign bank branches, and 100% foreign-owned and joint-venture banks.⁹
- f. *Decree 90/2011/ND-CP* dated 14 October 2011 and issued by the government to regulate the issuance of corporate bonds; Decree 90 replaced Decree 52/2006/ND-CP dated 19 May 2006 regulating the issuance of corporate bonds, and replaced the concept of the issuance of corporate bond to the international market which was stipulated in Decree 53/2009/ND-CP regulating the issuance of international bonds.

These laws and regulations constitute the regulatory framework for issuing corporate bonds.

G. Transfer of Interests in Bonds

Listed bonds are entered in the VSD. Unlisted bonds, on the other hand, depend upon the charter and terms and conditions of the bonds. Normally, the issuer issues the new bond certificates and enters the bonds into the bond register.

The transfer of securities ownership is provided in Article 54 of *Securities Law No. 70/2006/QH11*, which states that:

1. The transfer of securities ownership with respect to categories of securities registered at the securities depository center shall be undertaken via VSD.
2. The validity of the transfer of securities ownership at VSD shall be as follows:
 - (a) Where securities have been centrally deposited at VSD, the transfer of securities ownership shall take effect on the date of book entry in the securities depository account at VSD.
 - (b) Where the securities have not been centrally deposited at VSD, the transfer of securities ownership shall take effect on the date of recording on the securities registration book managed by VSD.

According to Article 4 of *Circular 43 /2010/TT-BTC* dated 25 March 2010 amending *Decision 87/2007/QD-BTC*, the transfer of ownership of listed or registered securities for trading shall be subject to the principle that any securities holders who intend to transfer their ownership of securities shall deposit such securities at VSD via depository members to buy or sell such securities via the stock exchanges, or transfer their ownership as prescribed in Clause (b) of Article 4, except for any transfer of ownership due to inheritance factors or the fact that the issuer redeems its shares from employees upon employment termination. The VSD shall only execute transfers of ownership of securities outside its securities trading system if such transfers are

⁹ State Bank of Vietnam. http://sbv.gov.vn/wps/SBVDataStore/upload/EN_VBQPPL/VANBANSAN/VB706.HTM

non-commercial or fail to be executed via trading systems at stock exchanges. Such transfers shall include the following cases:

- (a) Securities made as a present or via inheritance according to the *Civil Law*.
- (b) Odd-lot transactions according to the law of securities and securities market.
- (c) Issuers, or labor unions of issuer, buyback preferred shares of their employees, which terminate their labor contracts, to become treasury shares and bonus shares for their current employees.
- (d) Issuers use Treasury shares as bonus, or the labor union of the issuer distributes bonus shares to their employees.
- (e) Foundation shareholder transactions in restricted time.
- (f) Issuers change their strategic shareholders in restricted time.
- (g) In case securities have registered in VSD and have been accepted in principle by the exchanges but have not listed on the exchanges yet.
- (h) Investors leave the securities in trust to a fund manager in case the fund manager accepts to manage the trusted investment portfolio by assets.

Differing from equity, there is no general meeting for bondholders. Bond is a debt instrument, thus the rights of bondholders are stipulated in *Decree 01/2011/ND-CP* as follows:

- (i) Bondholders are guaranteed for on-time and sufficient settlement of interest and principal.
- (ii) Bondholders have entitlements to transfer, give, make as a present, inherit, discount, and pledge in credit relationship and civil relationship according to current law.

As for guarantees for bond settlement,

- (a) The government commits to protect bondholders' interests for corporate bonds guaranteed by the government, according to *Decree 01/2011/ND-CP*.
- (b) For guaranteed corporate bonds, according to Clause 44 of *Decree 52/2006/ND-CP*, if the issuer fails to pay the interest and principal settlement, the guaranteed asset will be liquidated to refund the due debt. In case other credit organizations act as settlement guarantor, they have the responsibility to refund the debt to the bondholder.

There is no specified company system to guarantee for corporate bond settlement in Viet Nam.

H. Definition of Securities

Pursuant to Article 3 of the amended and supplemented *Securities Law No. 62/2010/QH12* and Article 6 of *Securities Law No. 70/2006/QH11*, securities are defined as evidence from an issuing organization certifying the lawful rights and interest of an owner with respect to an asset or capital portion. Securities may take the form of certificates, book entries or electronic data, and shall comprise the following types:

- (1) Shares, bonds, and investment fund certificates;
- (2) Share purchase rights (rights issue), warrants, call options, put options, future contracts, groups of securities and securities indices;
- (3) Investment capital contribution contracts; and
- (4) Other types of securities stipulated by the MOF.

I. Self-Governing Rules behind the Market

The Vietnam Bond Market Association (VBMA) is regarded as the Viet Nam bond market's self-governing organization. It is a non-profit organization aimed to promote the professional and effective development of the Viet Nam bond market, guarantee the legitimate rights and interests of members, and, at the same time, ensure national interest.¹⁰

1. The VBMA's roles and functions are

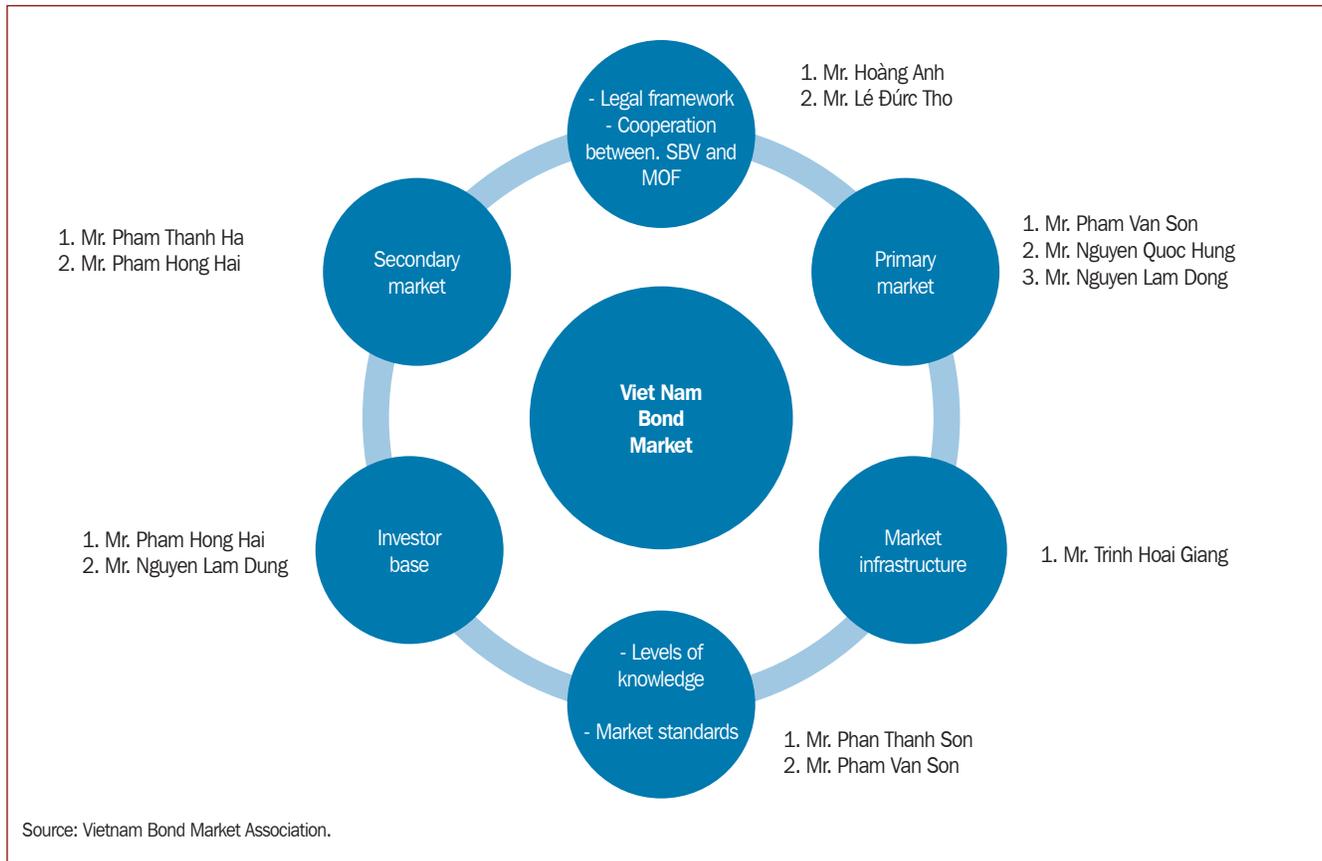
- (a) Standardize trading practices and market conventions for bonds and other debt instruments of similar nature in the Vietnamese bond market;
- (b) Enhance the regional and international integration of the bond market in general and of the members in particular through encouraging the adoption of global best practices by market participants under the conditions of the Vietnamese bond market;
- (c) Establish the code of conduct and ethics to govern the relationship of market participants to ensure equality among them;
- (d) Improve market expertise and skills by conducting activities to aggregate and analyze bond information, consulting, training and provision of facilitating services to members and other related participants in trading bonds and other debt instruments of similar nature in the Vietnamese bond market;
- (e) To be a forum and bridge for exchanging and updating bond information, strengthen collaboration, and promote mutual understanding among its members, and between its members and Vietnamese regulatory authorities, as well as related international organizations; to make comments on related policies; to support state-competent bodies in improving policies and the legal framework of the bond market in Viet Nam; and
- (f) Update, aggregate, store, and build a database of bond market information, thus help increase transparency in the Vietnamese bond market.

2. History of the Vietnam Bond Market Association

In recent years, the government has been conducting a reform of Viet Nam's financial market. Besides the state's initiatives, many organizations, businesses, as well as bond market participants, have made great efforts to contribute to develop the bond market. In November 2006, a group of local and international commercial banks, securities companies, fund management companies, and insurance companies formed the Vietnam Bond Market Forum (VNBF) to promote bond trading through disseminating and sharing market information, and standardizing commercial activities in the bond market in Viet Nam. VNBF was directed by an executive board voted from representatives of members who were active in the Vietnamese bond market. Its executive board worked on a part-time basis, and met monthly to

¹⁰ Vietnam Bond Market Association. <http://www.vbma.org.vn/vbma/home.do>

discuss and consent to the Forum's plan of activities and allocation of work. Over a period of 3 years, the VNBF's activities brought about initial results for market development. However, operating as a forum, VNBF faced its own limitations such as matters concerning legal status, fundraising, and public recognition. In March 2007, VNBF members collaborated and decided to begin procedures to apply for an official permit to establish a professional association in compliance with the laws of Viet Nam. This helped raise its legal status and financial capacity aimed to strengthen activities to effectively and practically contribute to the development of the bond market in general and bring about benefits to the members in particular. The association was named the Vietnam Bond Market Association (VBMA). At that time, VNBF had more than 50 members, and planned to increase the number to 100 or more when it becomes an association. Viet Nam's authorities such as the SSC, the MOF, and the SBV were all in favor of the transformation from a forum to an association. VNBF officially established its office in May 2007, with an executive board secretary working full-time and responsible for the operations of the office. The draft charter was first completed in June 2008. In August 2008, the MOF approved the list of the Preparation Committee for establishing the VBMA. On 22 May 2009, the Minister of Interior issued an official decision allowing the establishment of the VBMA. On 31 December 2009, based on the submission letter of the association's chairman, the Minister of Interior decided to approve VBMA's Charter, thus legally enabling the VBMA to set up its management and execution bodies to execute and coordinate its activities. The Executive Committee, Standing Committee, and VBMA Office commenced operating in early 2010 and have stabilized their operations step by step. At the end of November 2010, VBMA had 59 members. Of these, 54 were institutional members comprised of local and foreign commercial banks, companies in finance, leasing, securities, fund management, insurance and law consultancy, and five individual members. Figure 1.1 shows the plan to develop the Viet Nam bond market.

Figure 1.1 Plan to Develop the Viet Nam Bond Market

3. The Vietnam Bond Market Association Code of Conduct

On 01 September 2009, VBMA released its Code of Conduct (COC). It is intended to be observed by VBMA member organizations engaging in bond trading activities, whether as part of the market-making or proprietary trading, and/or brokerage services for bond transactions. Its main aim is to set out the principles and standards which VBMA members should follow when conducting their bond trading business in a manner that exhibits a high degree of professionalism, integrity, and fairness. Based on the proposal made by VBMA, the MOF officially authorizes the association to release the COC.

To confirm their commitment, 21 full and associate members affixed their signatures to the Memorandum of Understanding (MOU) for Adherence to the COC and to the agreement to supply information to VBMA's website. This was witnessed by representatives from the MOF, SSC, HNX, VSD, international agencies, and local television. Other members were to sign the MOU in due course as they were not able to attend the MOU signing, or they still needed the opinion of their respective legal departments as a procedure before signing.¹¹

¹¹ Footnote 9. <http://www.vbma.org.vn/vbma/downloadFile?fileid=59>

J. Bankruptcy Procedures

In Viet Nam, bankruptcy of a corporate bond issuer has not occurred yet. If it happens, the *Bankruptcy Law 2004* will be applied.

There are several measures to protect investors in accordance with *Securities Law No. 70/2006/QH11*, which took effect on 1 January 2007. Various regulations applicable to trading activities and related issues also exist.¹² Based on the amended *Constitution of the Socialist Republic of Vietnam*, *Bankruptcy Law No. 21/2004/QH-11* was issued on 15 June 2004 to regulate bankruptcy-related issues applicable to enterprises and co-operatives in Viet Nam.¹³ *Decision No. 114/2008/ND-CP* was published on 3 November 2008, which gives further guidance on several articles in the *Bankruptcy Law* and their application to companies operating in the insurance industry, securities services, and financial services.¹⁴ The guidance mainly covers the bankruptcy procedure required for bankrupt companies, including procedure for bankruptcy document submission, payment recovery plan, asset dissolution, and bankruptcy announcement. The decision mentions the regulatory authorities, the MOF and the SSC, apart from the judge, being the two main bodies involved in the review of the bankruptcy process of the companies. These regulatory bodies have the authority to require the enterprises to conduct necessary steps to recover their payment capacity and financial conditions, or to further process bankruptcy procedures as needed.

“The Asia-Pacific Restructuring and Insolvency Guide 2006” explains the restructuring and insolvency frameworks of Asia-Pacific countries.¹⁵ According to the report on Viet Nam, prior to October 2004, the legal framework for bankruptcy in Viet Nam consisted of the *Law on Business Bankruptcy* dated 30 December 1993, the *Decree on Business Bankruptcy* dated 23 December 1994, and various subordinate legal instruments (collectively referred to as the ‘old Bankruptcy Law’). The old Bankruptcy Law was generally considered to be deficient and, by the end of the East Asian economic crisis in 2002, the courts had received only 151 petitions, with a mere 46 of these resulting in a declaration of bankruptcy. The old Bankruptcy Law was replaced by the *Bankruptcy Law* dated 15 June 2004, which came into effect on 15 October 2004, and the *Resolution of the Judges’ Council* of the Supreme People’s Court guiding the implementation of the *Bankruptcy Law* dated 28 April 2005 (collectively referred to as the ‘Bankruptcy Law’).

The Bankruptcy Law applies to enterprises and cooperatives established in accordance with Vietnamese law. The list of enterprises covered is extensive and includes SOEs, enterprises belonging to social and political organizations, limited liability companies, joint stock companies, partnerships, private enterprises, and foreign-invested enterprises. The Bankruptcy Law does not apply to individuals or certain small business entities such as registered family and household businesses.

¹² Footnote 5. Accessed from the Vietnam Business Forum website. http://www.vbf.org.vn/downloads/Securities%20Law_no_70-2006-OG_ENG.pdf

¹³ Government of the Socialist Republic of Viet Nam. 2004. *Bankruptcy Law* (No. 21/2004/QH11 of June 15, 2004). http://www.dncustoms.gov.vn/web_english/english/luat_pl/BANKRUPTCY%20LAW%202004.htm

¹⁴ Hanoi Stock Exchange. [http://www.hsx.vn/hsx_en/Modules/Phapquy/VAN_BAN_PHAP_QUY_FILE_download.aspx?ID_FILE=1603&TEN_FILE=D114gv3Nov08BankruptcyInsuranceSecuritiesSectors\[2\].pdf](http://www.hsx.vn/hsx_en/Modules/Phapquy/VAN_BAN_PHAP_QUY_FILE_download.aspx?ID_FILE=1603&TEN_FILE=D114gv3Nov08BankruptcyInsuranceSecuritiesSectors[2].pdf)

¹⁵ Asian Development Bank. 2006. *The Asia-Pacific Restructuring and Insolvency Guide 2006*. <http://www.adb.org/Documents/Guidelines/restructuring-insolvency/restructuring-insolvency.pdf>

It stipulates that additional regulations will be issued to address the insolvency of enterprises in certain specific sectors.

Voluntary liquidation and restructuring are addressed by separate legal frameworks depending on the type of enterprise. An enterprise experiencing financial difficulty may consider restructuring or terminating its operations in accordance with the relevant legislation. Chapter VII of the *Law on Enterprises*, which governs limited liability companies, joint stock companies, partnerships and private enterprises, deals with the dissolution and reorganization of enterprises, and allows for the division, separation, consolidation, merger, and conversion of enterprises. The *Law on Foreign Investment* governs the dissolution, division, demerger, consolidation and conversion of FIEs. Both laws were replaced by a unified *Law on Enterprises*, which was passed on 29 November 2005 and came into effect on 1 July 2006, and contains similar provisions.

Chapter VII of the *Law on State-Owned Enterprises* deals with the reorganization and dissolution of SOEs. Chapter VIII of the law addresses the conversion of SOEs, including equitization (i.e., the process of conversion into a joint stock company).

K. Meetings of Bondholders

In Viet Nam, there is no official concept of meetings of bondholders yet.

L. Event of Default

At present, the settlement of default in bond transactions which trade on exchanges have not occurred yet. If default occurs in securities or cash settlement, the principal and resolution sequence will be according to settlement regulations of the VSD. In Viet Nam, there is no precedent of a default of a corporate issuer in interest and principal settlement yet. However, a bondholder is a creditor of the issuer and, if default happens, *Bankruptcy Law No. 2112004/QH11* will be applied and the issuer will announce the bankruptcy status.

M. Parties Involved in Bond Issuance and Their Respective Roles

Viet Nam's bond market participants include issuers from the government and corporate sectors. Major bond investors include commercial banks and domestic life insurance companies. A number of authorized securities companies and a few market associations also participate in the market. However, a domestic rating agency currently does not exist.

1. Government

The government forms a large share of bond issuers in Viet Nam, particularly the central government and SOEs. Corporate issuers represent a small share of the bond market. The national government is the largest issuer of debt securities and the VDB, which issues government-guaranteed bonds, is the second largest issuer followed by

the Vietnam Bank for Social Policies (VBSP) and the Vietnam Expressway Corporation (VEC). Municipal bonds are issued by city municipalities and provincial governments. Corporate bonds are issued by SOEs and private enterprises.

SOEs also form a large number of bond issuers in Viet Nam. For example, PetroVietnam is the first SOE to issue bonds and others are expected to follow suit as the equitization of SOEs progresses. The Bank for Investment and Development of Viet Nam (BIDV) signed an agreement with the Debt Asset Trading Corporation to assist in the financial restructuring of SOEs, including the issuance of bonds for its own financing needs.

2. Investors

The domestic investor base is still small. The ability to absorb supply-and-demand shocks is limited. Commercial banks and domestic life insurance companies are the major bond investors in Viet Nam. Commercial banks are also major bond investors. Major state-owned banks include the Vietcombank, Vietnam Bank for Rural and Agriculture Development, Industrial and Commercial Bank of Vietnam, and BIDV.

Domestic life insurance companies have placed 49% of their total investments in government bonds. Manulife Viet Nam Insurance Company and Prudential Viet Nam are the first two wholly foreign-owned life insurance companies in Viet Nam. Other insurance companies include Bao Viet Insurance, Bao Minh Insurance, and Vien Dong Insurance. The government is considering streamlining the insurance industry to mobilize additional capital.

Other institutional investors include Viet Nam's Social Security Fund, finance companies, securities firms, and, more recently, investment funds. In March 2004, the Vietnam Fund Management Company (VFM) introduced the Vietnam Securities Investment Fund (VF1), which is the country's first securities investment fund. VFM is a joint venture between Sacombank and Dragon Capital. About one third of VF1's capital is invested in long-term government bonds. Other investment funds include Vinacapital and Dragon Capital.

Off-shore investors are still limited while there are no limitations on foreign holdings of bonds.

3. Intermediaries

A number of licensed securities companies are authorized to offer a full range of securities services including underwriting, brokerage, advisory, portfolio management, and trading. A list of securities companies can be found in the MOF website.

Foreign banks are also licensed as custodian banks for foreign individual and institutional investors on the exchanges.

4. Other Market Associations

a. Vietnam Association of Securities Business

Established in May 2004, the Vietnam Association of Securities Business comprises 13 licensed securities companies and an investment fund management company.¹⁶ The association facilitates relations among its members and acts as a link among market participants, securities trading agencies, state entities, financial organizations, and investors.

b. Vietnam Association of Financial Investors

The Vietnam Association of Financial Investors (VAFI) brings together investors, policymakers, and financial advisers to strengthen and enhance Viet Nam's capital markets.¹⁷

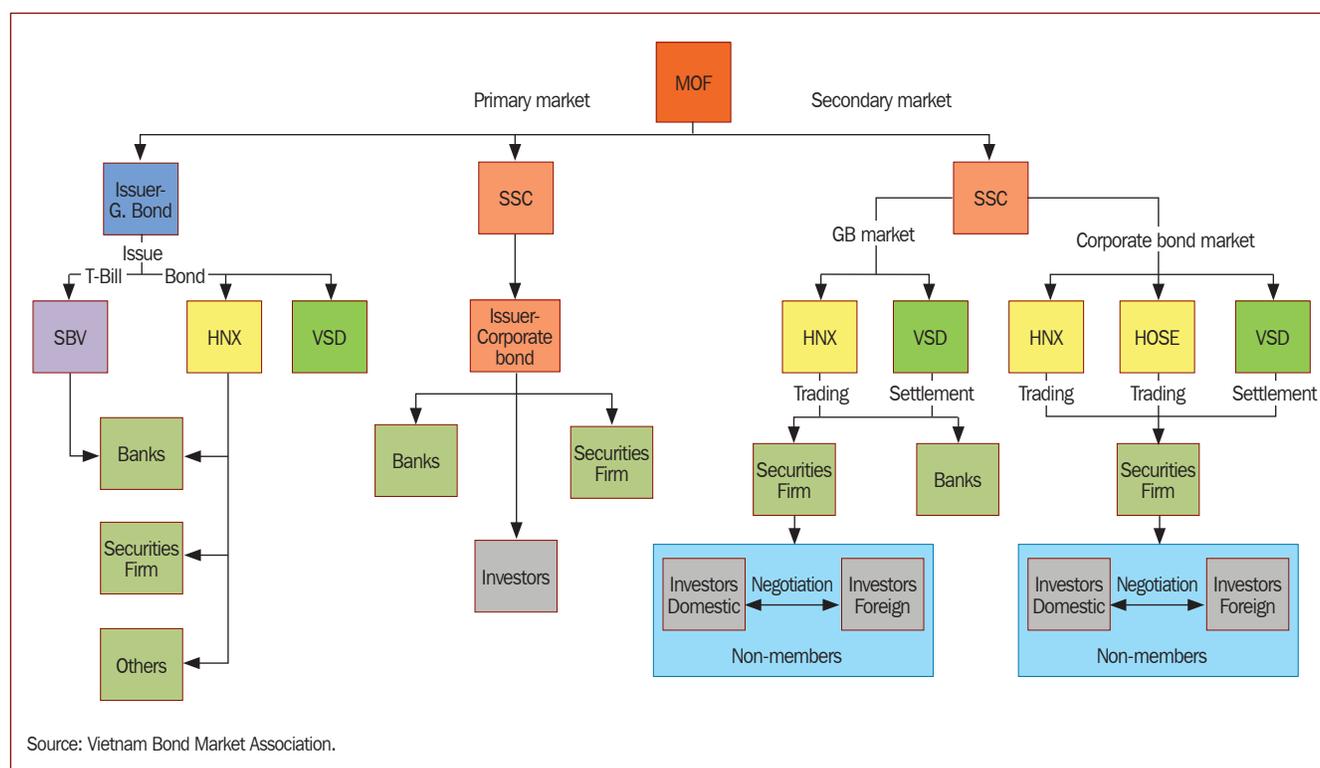
¹⁶ Asian Development Bank. 2006. *The Asia-Pacific Restructuring and Insolvency Guide 2006*. <http://www.adb.org/Documents/Guidelines/restructuring-insolvency/restructuring-insolvency.pdf>

¹⁷ Vietnam Association of Financial Investors. <http://www.vafi.org.vn/2006/index.php>

II. Primary and Secondary Markets Regulatory Framework

A. Viet Nam Market Regulatory Structure

Figure 2.1 Viet Nam Market Regulatory Structure



1. Regulatory Environment

The Ministry of Finance (MOF) and the State Bank of Vietnam (SBV) jointly regulate the capital markets. SBV is the central bank and chief regulatory body for all issues affecting the banking industry. It administers monetary, credit and banking regulations, and issues regulations on matters such as exchange controls, interest rates and banking license application procedures.

The State Securities Commission (SSC), which reports to the Minister of Finance, regulates the securities market. The Ho Chi Minh Stock Exchange (HOSE), Hanoi Stock Exchange (HNX), and the Vietnam Securities Depository (VSD) are under SSC jurisdiction, and are required to adhere to regulations relating to accounting, auditing, and statistical reporting. Please refer to Figure 2.1.

2. The State Securities Commission

The SSC regulates and acts as the supervisory agency for the securities market, and HOSE and HNX. All exchange regulations are issued by the SSC, which has the power to suspend trading in securities, delete listings of companies to protect investors' interests, and grant or revoke licenses relating to securities issuance, brokerage and custody services. Effective March 2004, the SSC came under the jurisdiction of the MOF. The following are some important functions of the SSC:

- (i) Report to the MOF legal documentation relating to securities and securities markets, its strategies, matrixes, long-term and annual plans.
- (ii) Advise the MOF to set up, suspend, or disperse the operations of the stock exchanges, the VSD, and other institutions related to the securities market.
- (iii) Ensure that proper reporting by participants is done.
- (iv) Set standard procedures and processes to be applied in organizations under applicable laws in the securities and securities market.
- (v) Issue, suspend, or revoke certificates of registration of securities.
- (vi) Supervise the compliance of rules and regulations.
- (vii) Implement regular inspections and provide guidelines on securities and securities markets.
- (viii) Organize scientific research on and analyses of the securities and securities market.
- (ix) Manage the modernization of the securities market as stipulated by law.
- (x) Provide training programs to market participants.

In addition to the above, the SSC also performs other duties and functions assigned by the MOF.¹⁸

3. Ministry of Finance

The functions of the MOF as a government agency include:

- (i) Managing the State budget;
- (ii) Managing the collection of tax, fees, and other revenues under the State budget;
- (iii) Managing the budget fund, the State reserve fund, and other State financial funds;
- (iv) Managing the national reserves and State assets;
- (v) Managing domestic and foreign government borrowing and debt servicing, as well as international grants; and
- (vi) Issuing government bonds.

In addition, the MOF is also responsible for:¹⁹

¹⁸ State Securities Commission. http://www.ssc.gov.vn/portal/page/portal/ssc_en

¹⁹ Ministry of Finance. http://www.mof.gov.vn/portal/page/portal/mof_en

- (i) Regulation of banks and non-bank institutions and
- (ii) Participating in the management of the stock market.

4. State Bank of Vietnam

The SBV is the central bank of Viet Nam. Its main functions are to formulate and implement the national monetary policy, stabilize the currency, control inflation, and improve socioeconomic development, as well as manage currency and banking activities and contribute to the development of the market structure. It regulates foreign exchange controls for stock market activities.²⁰ The operational functions of the SBV are as follows:

- a. Implementation of the National Monetary Policy.
 - (i) Outlining and implementing the annual plan of the monetary policy.
 - (ii) Apply instruments to manage the flow of money in and out of the economy by providing refinancing, monitoring exchange rates, ensuring reserves, and jointly manage open-market professional operations.
- b. Issuance of notes and coins by introduction, control and supervision of the implementation of monetary issuance regulation.
- c. Credit operations by lending short-term loans to approved credit organizations under crisis.
- d. Account opening, payment and cash operations.
 - (i) Open accounts with international banks and monetary institutions.
 - (ii) Provide inter-bank payment system and services.
 - (iii) Conduct transactions for the State Treasury.
- e. Foreign exchange management.
 - (i) Outline and introduce legal documents with respect to foreign exchange policy.
 - (ii) Issuance and suspension of foreign exchange operation licenses.
 - (iii) Management of foreign exchange reserves.
 - (iv) Buy and sell foreign exchange in the international market as per regulations.
- f. Market information
 - (i) Information service on currency and banking operations provided to organizations.
 - (ii) Publish periodic information on financial operations.

5. Stock Exchanges and Securities Depository

The Hanoi Stock Exchange (HNX) and The Hochiminh City Exchange (HOSE) are government-owned and operate under the oversight of the State Securities Commission. Each exchange offers trading memberships to local market participants qualified under prevailing regulations.

HNX and HOSE fulfill similar and also distinct functions in the Viet Nam bond market, as described in context of the respective market segments:

²⁰ The most recent guideline related to foreign exchange control *Circular 19/2011/TT-NHNN*. State Bank of Vietnam. 2011. *Circular 19/2011/TT-NHNN* (Guiding the foreign exchange control with regard to the issuance of international bonds by enterprises that are not guaranteed by the Government). http://www.sbv.gov.vn/wps/SBVDDataStore/upload/EN_VBQPPL/

For the Government Bond Market

HNX is authorized by MOF to facilitate the secondary market in government bonds and acts as the only issuing agency for government bonds which are issued to the market via auction.

HNX's roles and functions in the Viet Nam government bond market are as follows:

In General

- Ensure open, fair and successful bond trading in the market.
- Disseminate information in accordance with the Securities Law and other relevant documents.
- Provide trading information and training to the market participants.
- Consult regulators and authorities in setting up and revising legal documents relating to bond issuance and trading in the market.

For the Primary Market

- Build and maintain the bond auction system to meet the diversified issuing needs.
- Set up and develop a large auction member base comprising many organizations, from financial institutions, investment funds to normal bond trading entities, to create key players in promoting the auction activities.
- Cooperate with issuing entities to develop new fixed income products.
- Run the sole and comprehensive bond auction database for all market participants.

For the Secondary Market

- List all kinds of government bonds, government-guaranteed bonds and municipal bonds. Government-related issuing agencies list qualified corporate bonds upon requests from corporate issuers.
- Exclusive operate the government bond trading system as designated and authorized by laws and regulators.
- Set up, develop, increase the market member base, from securities companies to other financial institutions. Through this, enhance the approach to the market for the investors, and increase the linkage between the HNX and members in order to diversify the trading products in the government bond market.
- Own and operate a database on government bond trading data and information, and enhance the clearance and result of trading activities in the market.
- Specifically set up and operate the comprehensive Infobond system, and enhance its volume and quality.
- Provide real-time data, historical data and other information to market members, regulators and information providers according to purposes and stated laws.
- Develop new trading derivatives products, such as futures and options, to meet the market's needs.

For the Corporate Bond Market

HNX and HOSE are responsible for running their own trading platforms for corporate

bond trading. Only listed corporate bonds are eligible to be traded on the exchanges.

The roles and functions of HNX and HOSE with regards to the corporate bond market include:

- Approve the listing requirements by the issuing companies according to the stipulated criteria governing the corporate bond market by each exchange.
- Concentration of the listing of corporate bonds in their own market according to the listing selection by the issuing companies.
- Operate the trading activities of corporate bonds on the stock trading platform.

HNX built its trading system for both corporate and government bonds in-house while HOSE uses a corporate bond trading system developed in Thailand.

For the Treasury Bills Market

To improve the liquidity and attractiveness of T-bills, the Ministry of Finance and the State Bank of Vietnam mutually agreed to have T-bills listed and traded on HNX's bond trading system. The T-bills trading platform will be launched by early May 2012, with the participation of Open Market Operation (OMO) members and government bond market participants.

Vietnam Securities Depository (VSD)

The Vietnam Securities Depository (VSD) provides depository services to local market participants. Settlement for transactions in both government and corporate bonds listed on the exchanges are conducted via VSD. VSD commenced operations in May 2006.

VSD's roles and functions in the Viet Nam bond market include:

- Provide services of registration, depository, clearing and settlement for listed bonds on the exchanges.
- Issue the local code for bonds and their ISIN.
- Organize the rights implementation for bondholders on behalf of bond issuers.
- Serve as the paying agent for bond interest and dividends.
- Serve as the agency for the transferring and carry out the ownership transfer for bonds traded on the exchanges.

Transfer of ownership is effected by VSD not only for transactions done on the exchange platforms but also for special cases such as a merger between enterprises and off-exchange transactions. Some specific exceptions exist, such as for ownership transfers as a result of inheritance or court orders."

B. Important Legislations and Regulations in the Viet Nam Bond Market

In September 2005, limits on aggregate foreign investment were increased from 30% to 49% of listed equities. There are no separate individual investment limits in

equities for foreign investors. There are also no foreign investor limits for the fixed-income market.

For listed companies in the banking industry, a different limit is applied. For Sacombank, which started listing on HOSE on 12 July 2006, a foreign investor limit of 30% is being promulgated by the SBV.

1. Key Legislation in Regulating Securities and the Securities Market

A key legislation in regulating securities and the securities market is the Securities Law 2006 (Law No. 70/2006/QH11), which took effect on 1 January 2007. The law was amended and became effective on 01 July 2011 (Law No. 62/2010/QH12). The scope of the law covers public offers and non-public offer (private placement) of securities, listing and trading securities, and conducting business and investing in securities, securities services and the securities market. It is applicable to all Vietnamese and foreign institutional and retail investors, and all other organizations and individuals involved in securities activities and the stock market. Some extracts related to these offers of securities from the Securities Law and Amended Law are shown in Box 2.1 with emphasis added and with the amended and supplemented provisions.

Box 2.1 Extracts from the Securities Law 2006 on Public Offers

Article 6. Definition of terms

10. Investors mean domestic or foreign institutions and individuals participating in investment in the securities market.
11. Professional securities investors mean commercial banks, financial companies, financial leasing companies, insurance organizations and securities trading organizations.
12. Public offering means an offering of securities according to one of the following methods:
 - (a) Via mass media, including Internet;
 - (b) Offering of securities to 100 or more investors, excluding professional investors;
 - (c) Offering to an unspecified number of investors.
17. Listing is to make securities eligible to be transacted at the Stock Exchanges or Securities Trading Centers.

CHAPTER II OFFERING OF SECURITIES TO THE PUBLIC

Article 10. Face value of securities

2. The par value of bonds to be offered to the public shall be VND100,000 and multiples of VND 100,000.

Article 12. Conditions for offering securities to the public

2. Conditions for offering bonds to the public:
 - (a) The enterprise must have its paid-up charter capital at the time of registering for public offering of at least VND10 billion in book value;
 - (b) Being profit making in the year preceding the year of such registration for offering; having no accumulated losses up to the year of registration for offering or overdue debts of over 1 year.
 - (c) Having a plan for offering and use and refund of capital received from the offering approved by the Board of Management, the Board of Members, or the enterprise's owner.
 - (d) Having commitment to fulfill obligations of the issuer towards investors, regarding conditions for issuance and payment, ensuring the investors' legitimate rights and interests, and other conditions.
4. The Government shall stipulate the conditions for offering securities to the public applicable to State-owned enterprises, foreign-invested enterprises which are transformed into joint stock companies, and newly established enterprises in the fields of infrastructure or high technology, and offering of securities overseas and other specific cases.

Article 13. Registration of offering securities to the public

1. The issuer carrying out the offering of securities to the public shall register with the State Securities Commission.
2. The following cases shall not be subject to registration for offering securities to the public:
 - (a) Offering of bonds of the Vietnamese government;
 - (b) Offering of international financial institutions' bonds accepted by the Vietnamese Government;
 - (c) Offering of shares to the public by State-owned enterprises which are transformed into joint stock companies;
 - (d) The sale of securities upon a court judgment or decision, or the sale of securities by the managers or persons entitled to assets in case of bankruptcy or insolvency.

Box 2.1 continuation

Article 14. Dossier of public securities offering registration

2. The dossier for registration of offering of bonds to the public shall include:
 - (a) The registration of offering of bonds to the public;
 - (b) The prospectus;
 - (c) The Charter of the issuer;
 - (d) Decisions of the Board of Management, Board of Members, or the enterprise's owner approving of the plan for offering and use and repayment of capital received from the public bond offering;
 - (dd) The commitment to fulfill the issuer's obligations to investors, regarding the conditions for issuance, payment and ensuring the investors' legitimate rights and interests, and other conditions.
 - (e) Underwriting commitment (if any).

Article 15. The prospectus

1. Regarding the offering of shares or bonds to the public, the prospectus shall include the following information:
 - (a) Brief information on the issuer, including its model of organizational apparatus, business activities, property, financial situation, the Board of Management or the Board of Members, or the company's owner, the (General) Director, the Deputy (General) Director, and shareholder structure (if any);
 - (b) Information on the offering and securities to be offered, including conditions for offering, risk factors, the proposed plan of profits and dividends of the most recent year following the issuance of securities, the plan of issue and use of capital received from the offering;
 - (c) The financial statements of the issuer for the last 2 years as stipulated in Article 16 of this Law;
 - (d) Other information as stipulated in the Prospectus Form.
4. The Ministry of Finance shall provide the form of the Prospectus.

Article 16. Financial statements

1. A financial statement includes the balance sheet, the report on production and business results, cash flow report, and presentation of the financial statement;
2. In case where the issuer is a holding company, it shall have to submit a consolidated financial statement in accordance with the law on accounting.
3. Annual financial statements must be audited by the approved auditing company.
4. In case where the dossier is submitted before the 1st of March annually, the financial statements of the preceding years in the initial dossier may be unaudited, but the audited financial statements of the last 2 consecutive years must be presented.
5. Where the period from the end of the most recent financial statement to the time of submission of the valid dossier of registration for public offering of securities to the State Securities Commission is more than 90 days, the issuer must make additional financial statements up to the most recent month or quarter.

Article 17. Responsibilities of organizations or individuals in relation to the dossier of registration for offering of securities to the public

1. The issuer shall be responsible for the accuracy, honesty and adequacy of dossier of public securities offering.
2. The issuing consultancy companies, underwriters, approved auditing companies and the signatories of the auditor's report, and any organizations or individuals certifying the dossier must be responsible within their scope relating to the dossier of public securities offering.

Article 18. Amendments, supplements of the dossier of registration for public securities offering

1. During the time of examination of the public securities offering registration dossier, the issuer shall be obliged to amend or supplement the registration dossier if it discovers that the registration dossier contains inaccurate information on an important issue, or omits any important content that must be included in the dossier as stipulated, or where it is deemed necessary to provide explanation for any matter that may cause any misleading [information].

Article 19. Information prior to the public securities offering

During the time the State Securities Commission reviews the public securities offering registration dossier, the issuer, the underwriter(s), and other relevant organizations and individuals may only use, in an honest and accurate manner, the information described in the Prospectus submitted to the State Securities Commission to explore the market, provided that they shall clearly specify that the information on the date of issue and the securities selling price is the proposed information. The exploration of markets must not be conducted through the mass media.

Article 20. Effectiveness of the public securities offering registration

1. Within 30 days as from the date of receiving the valid dossier, the State Securities Commission shall examine and grant the Certificate for Public Securities Offering. In case of refusal, the State Securities Commission must respond in writing and clarify the reasons thereof.
2. The Certificate for Public Securities Offering granted by the State Securities Commission shall be a document certifying that the public securities offering registration dossier fully satisfies the conditions and procedures provided by the law.
3. Within 7 days from the date the Certificate for Public Securities Offering comes into effect, the issuer shall have to publish the Announcement of Offering in three consecutive issues of one electronic newspaper or written newspaper.

continued on next page

Box 2.1 continuation

4. Securities shall only be offered to the public after the announcement has been made as stipulated in clause 3 of this Article.

Article 21. **Distribution of securities**

1. The distribution of securities shall only be conducted after the issuer ensures that securities buyers can access the prospectus in the public securities offering registration dossier announced at places mentioned in the Announcement of Offering.
2. The issuer, underwriter, or issuing agency must distribute securities in a fair and public manner and ensure that the time limit for registration of buying securities applicable to investors is at least 20 days; such time limit shall be stipulated in the Announcement of Offering.
In case the amount of securities registered to buy exceeds the amount of securities permitted to be issued, the issuer or the underwriter shall have to distribute the securities permitted to be issued to the investors in proportion with their purchase registration rate.
3. The money paid for securities shall be transferred into a blocked bank account until the issue is completed and reported to the State Securities Commission.
4. The issuer shall complete the distribution of securities within 90 days from the effective date of the Certificate for Public Securities Offering. In case where the issuer cannot complete the distribution of securities to the public within such time limit, the State Securities Commission shall consider its extension which must not exceed 30 days.
In case of registration of securities offering in a number of tranches, the period between one tranche and the next tranche must not exceed 12 months.
5. The issuer or the underwriter shall report the offering result to the State Securities Commission within 10 days from the date of completing the offering, together with the certification of the bank where the blocked account is opened for the money received in the tranche.
6. The issuer, underwriter, or issuing agency shall transfer the securities or the certificate of securities ownership to the buyers within 30 days from the date of completing the offering.

Note: Emphases added by ADB Consultants.

Source: Government of the Socialist Republic of Viet Nam, 2006, Securities Law. <http://www.telchar.com/capmks/VietnamSecuritiesLaw2006English.pdf> or <http://lawfirm.vn/?a=doc&id=2012>

2. Special Regulation for Investment Activities of Foreign Investors

Decision No.121/2008/QD-BTC, passed on 24 December 2008, is a special regulation for investment activities of foreign investors, which took effect on 17 February 2009. This Decision provides detailed guidelines for foreign investors investing in the Viet Nam stock exchanges, the general principles of which been provided for ease of reference.

3. Restrictions for Foreign Investors

The Vietnamese market is open to local and foreign investors. However, foreign investors need to obtain a securities trading code prior to being allowed to invest in the securities market. There is no limit imposed on investments in government bond instruments for foreign and domestic investors, both institutional and individual. Certain limits apply to investment in corporate bonds, in particular for commercial banks.

4. Securities Trading Code

Foreign investors who wish to invest in Viet Nam must first apply with the VSD to obtain a securities trading code. The application is comprised of the following documents:

- (i) The Application for Registration of Securities Trading Code Form, which is a standard form. An authorized signatory of the foreign investor must sign this form.

- (ii) The Information Slip of Foreign Institutional Investor Form, which is also a standard form. An authorized signatory of the foreign investor must sign this form. A notary public or equivalent authority from the foreign investor's country of registration must also certify this form.
- (iii) The Information Slip of Appointed Representative of Foreign Institutional Investor, which is another standard form. The same individual who signed the Information Slip of Foreign Institutional Investor must sign this form. A notary public or equivalent authority from the foreign investor's country of residency must also certify this form.
- (iv) The Letter of Appointment of Foreign Institutional Investor's Representative, which is a set form. The form must be certified by the foreign investment organization and a competent agency.
- (v) Copies of the license of establishment of the investor organization, notarized or verified by a notary public or equivalent entity of the investor's country, and the license of establishment of the organization or its branch(es) in Viet Nam (if any) notarized or verified by a competent Vietnamese agency.

Where a foreign investor is an investment fund, the application should also include a copy of the fund's charter or its Memorandum of Understanding, the charter of the fund management company, financial statements for the last 2 consecutive years, and a summary of its targets and operations in Viet Nam.

All documents and forms listed above must be translated to Vietnamese, and the Vietnamese State Notary Public Office must notarize the translated version. In addition, foreign investors who wish to invest in unlisted securities must also register a Capital Contribution Account with SBV. Depository members will update the VSD on account opening and closing on a daily basis via the electronic linkage system or via hard copy by 4:00 p.m. The VSD will verify the provided information and send confirmation at 8:30 a.m., 11:30 a.m. and 4:30 p.m. via the electronic linkage system or email.

In case of custodian change, VSD will only process the update upon completion of assets transfer. The timeline to correct information discrepancies is 1 business day.

C. Substantial Shareholder Reporting Requirements

Disclosure requirements apply to investors holding more than 5% of the capital of a listed company, where investors will have to file a report to the respective regulators within 7 days from the date of settlement. If disclosure is not done within the stipulated time, the trading system will reject that particular trade when foreign ownership limit is reached.

These guidelines were first outlined in *Circular No. 38-2007-TT-BTC*²¹ issued by the MOF on 8 April 2007, and were further elaborated when *HOSE Decision No.59/QD-TTGDCCKHCM* was issued on 8 June 2007. This Decision reflects the

²¹ Ministry of Finance. 2007. *Circular No. 38/2007/TT-BTC* (Circular Guiding the Disclosure of Information on the Securities Market). http://moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=3488

essence of *Circular No. 38/2007/TT-BTC* and provides a more detailed guideline for all of HOSE participants.

The key part that impacts foreign investors relates to substantial holding disclosure reporting, which is required each time the investor's holding crosses the 5% level. In addition, at each 1% increment above the 5% level, or when ownership falls below 5%, filing of disclosure reports is also required. This report should be filed with the regulators (HOSE) within 7 working days, and would then be made known to the public.

Foreign investors and/or affiliated persons who intend to hold up to 25% of the issuing company's paid-up capital, or are holding 25% of a listed company, should send a disclosure report to HOSE so that HOSE releases the disclosure and advises the listed company within 3 working days before the trade date.

D. Rules and Regulations related to Buying Debt Instruments (Investment in Debt Securities)

1. Unless otherwise stated in the prospectus, offer document, term sheet, or similar document, there is no restriction on the types of investors who are eligible for investing in particular debt instruments.
2. Foreign investors, whether institutional or retail, should, however, ascertain whether it is permitted under the law of their jurisdictions.
3. Foreign investors without a legal presence in Viet Nam are prohibited from investing in and trading of T-bills.

E. Investor Protection

1. The *Bankruptcy Law and Its Application for Companies Operating in Financial Services*

There are several measures to protect investors in accordance with the *Securities Law* (No. 70/2006/QH11), which took effect on 1 January 2007, and with various regulations applicable to trading activities and related issues. Based on the amended *Constitution of the Socialist Republic of Viet Nam*, *Bankruptcy Law No. 21/2004/QH-11* was issued on 15 June 2004 to regulate bankruptcy-related issues applicable to enterprises and cooperatives in Viet Nam. *Decision No. 114/2008/ND-CP* was published on 3 November 2008, became effective on 14 November 2008, and gives further guidance on several articles in the *Bankruptcy Law* and their application to companies operating in the insurance industry, securities services, and financial services. The guidance mainly covers the bankruptcy procedure required for bankrupt companies, including the procedure for bankruptcy document submission, payment recovery plan, asset dissolution, and bankruptcy announcement. The decision mentions the regulatory authorities—the MOF and the SSC—apart from the judge, being the two main bodies involved in the review of the bankruptcy process of companies. These regulatory bodies have the authority to require the enterprises to undertake the necessary steps to recover their payment capacity and financial condition or to further the bankruptcy procedure as needed.

An insurance company may be required to increase capital or execute reinsurance to recover its financial status. Meanwhile, a securities company may be required to transfer its rights and obligations to another securities company to fulfill its responsibilities to its customers in case its payment capability is at risk. Otherwise, the SSC must appoint an appropriate securities company to handle such incurred duties. Limitation and suspension of the company assets, the procedure for asset dissolution, and voiding transactions are also specified in the guidance.

Upon the decision to begin the bankruptcy procedure for a securities company, activities such as brokerage services or opening securities accounts are required to be terminated. Also, activities such as borrowing or transfer of ownership of shares or assets must obtain approval from the judge. Steps for asset dissolution for insurance companies, securities companies, and financial companies are also enumerated in the order, ranging from total auction of the company to an enterprise in the same industry to separate asset selling in case auction fails. The decision came into effect on 14 November 2008. For any offense in relation to the execution of this guidance, Article 93 of the *Bankruptcy Law* will be applied.

2. Settlement Assistance Fund

A settlement assistance fund has been set up for investor protection. A flat fee of VND120 million has to be paid by a broker or custodian at the time of admission as a participant. The fees are then put aside for investor protection purposes. Furthermore, participants have to contribute 0.01% of their annual turnover of the previous year, but not more than VND2.5 billion per annum to this fund. Moreover, a compulsory loan facility can be utilized whenever a depository member is temporarily short of liquidity for settlement, and the amount of shortage is more than VND25 billion; this loan facility agreement (signed with the designated clearing bank) should be in place before utilization. The interest rate is decided by the designated clearing bank on the borrowing date.

3. Other Provisions for Investor Protection

There are also stringent requirements and reporting to be filed with VSD when so requested. Companies have to make the filing within 5 days if so requested by the VSD. Brokerage firms have to execute investors' orders before their own orders.

F. Capital Contribution Account Report

Foreign investors are required to file annual and quarterly reports with the SBV on the cash movement in the investor's capital contribution account (CCA), as well as unlisted securities holdings and capital contribution to unlisted companies in Viet Nam. The report must contain the following information:

- (i) Full name, address, business type, CCA account number, commercial bank where the CCA is opened, and the number of the CCA approval letter;
- (ii) Balance in the CCA account at the beginning and the end of the quarter or year and movements during the period; and
- (iii) The total value of unlisted securities holdings, capital contribution, and other holdings.

Reporting deadline is on the fifth day of the next month for the quarterly report and 10 January for the annual report. Failure to comply with this reporting requirement might lead to the withdrawal of the CCA approval.

G. Securities Identification System

HOSE and HNX each maintain a local numbering system for the securities listed in their respective exchanges. The local code for fixed income is an eight-digit alphanumeric code. The local code for the securities investment funds that are currently listed in the market is a six-digit alphanumeric code.

In 2008, the SSC signed *Decision 388* on the implementation plan to issue International Securities Identification Number (ISIN) codes for Vietnamese securities. To date, ISIN codes have been issued for all listed securities, including equities and fixed income. Investors are given the option to use ISIN codes, rather than local codes, in their trade and settlement instructions.

H. Taxation Framework and Tax Requirements

In accordance with the newly issued *Personal Income Tax (PIT) Law, Decision No. 100/2008/ND-CP* dated 8 September 2008, and *Circular No. 84/2008/TT-BTC* dated 30 September 2008, retail investors (both resident and non-resident) are currently taxed on dividend, interest of bonds, capital gains, and certain securities. Table 2.2 illustrates the duties and taxes for fixed income.

Table 2.2 Duties and Taxes

	Fixed Income
Capital Gains Tax	N/A
Income tax on Sales Proceeds	0.10% of transaction value
Withholding Tax ^a	10%
Stamp Duty	0
Value Added Tax	0

^a The investors pays 10% of the interest received during each interest payment period. Previously, investors paid 0.10% withholding tax on the total face value of the bond plus the interest received.
Source: VBMA and Citibank.

Foreign institutional investors, including foreign investment funds which have no legal presence in Viet Nam, are subject to income tax on a deemed basis. The deemed income tax rate is 0.1% of the equity sales proceeds and sales of investment certificates for each transaction. For listed shares, the securities company (i.e., the brokers) is responsible for withholding, reporting, paying and finalizing the tax with the tax authorities on behalf of the customers. For non-listed shares, if the issuers authorize the brokers to manage the shareholder registrar and monitor the transfer procedures, the withholding and payment obligation also rests with the brokers. Otherwise, it will rest with the issuers.

Profits distributed by investment funds to both resident and non-resident institutional investors are subject to 20% withholding tax, except profits which are sourced from dividends and are already subject to corporate income tax for ordinary businesses. The investment fund management company is responsible for withholding, reporting and paying the tax on behalf of the investors. Interest earned by investors from investment in bonds, which are exempt from income tax in accordance with the current regulations, is not subject to income tax. In other cases, a 10% withholding tax would, in principle, apply to interest income from investment in bonds.

I. Tax Exemption Requirements for Non-Residents

Foreign institutional investors, including foreign investment funds, that have no legal presence in Viet Nam, are subject to income tax on a deemed basis. For listed securities, the securities company (i.e., the broker) is responsible for withholding, reporting, paying, and finalizing the tax with the tax authorities on behalf of the customers. For non-listed securities, if the issuers authorize the brokers to manage the shareholder registrar and monitor the transfer procedures, withholding and payment obligation also rests with the brokers. Otherwise, it will rest with the custodian banks.

J. Definition of Professional Investors in the Viet Nam Market

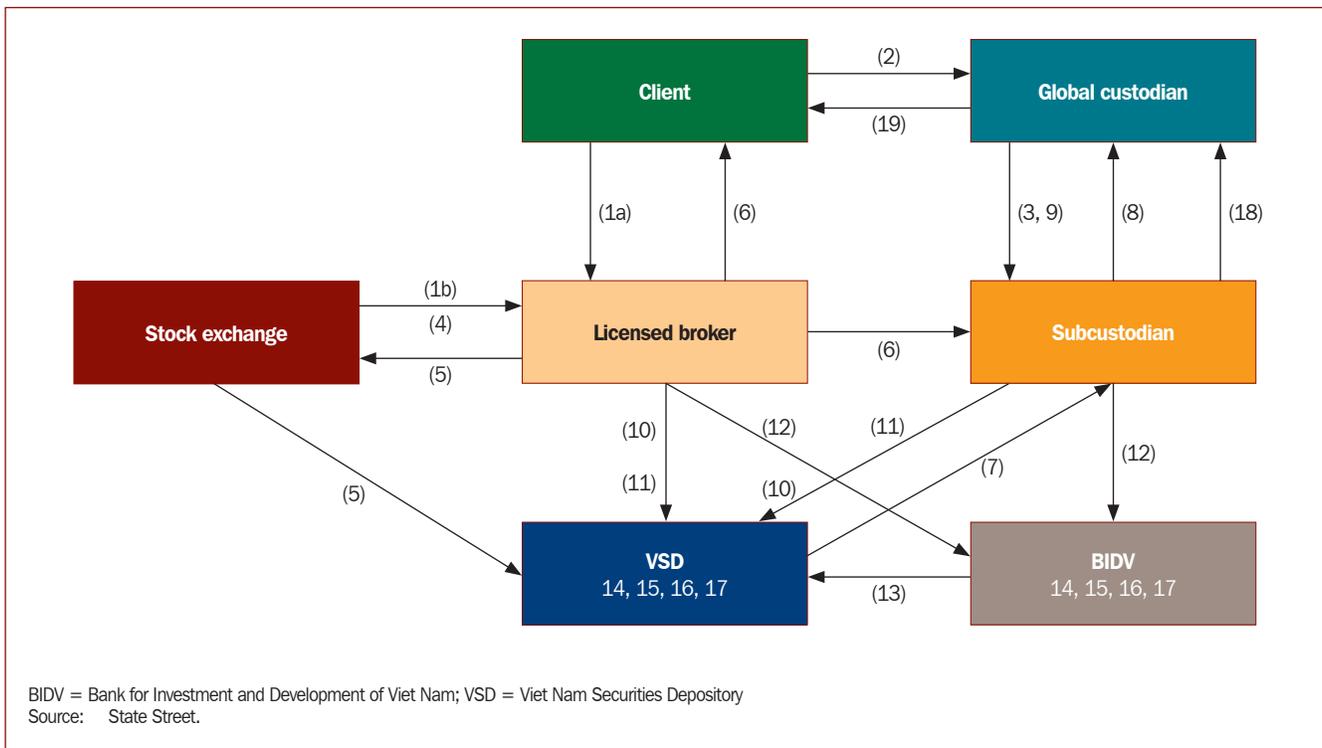
1. Item 11, Article 6 of *Securities Law No. 70/2006/QH11* defines institutional investors as “commercial banks, financial companies, financial leasing companies, insurance organizations, and securities trading organizations.”
2. There are no clear concepts of wholesale and retail in the Viet Nam bond market.
3. Before 1 July 2011, by the time of introducing a law amending the 2006 Law on Securities, the private placement (non-public offering) concept was not clearly defined in the laws and regulations in Viet Nam. Also, private placement (non-public offering) was not regulated in Viet Nam.
4. The concept of private placement (non-public offering) of securities (i.e., an arrangement for offering securities to less than 100 investors, not including institutional investors, without using the mass media or the internet) has now been introduced by the Amended Law. Private placement (non-public offering) is presented as the alternative to an ‘offer of securities to the public.’ The provisions of the Amended Law on private placement (non-public offering) will only apply to placements by public companies.

III. Trading of Bonds and Trading Market Infrastructure

A. Over-the-Counter Market Trading System of Bonds in Viet Nam

Figure 3.1 shows the over-the-counter (OTC) market trading system from a global custodian's point of view.

Figure 3.1 Over-the-Counter Market Transaction from a Global Custodian's Point of View



Trade Date -1 (all times are local)

Bond trading is normally executed via negotiation. Hence, trades are often agreed between counterparties before being entered into the stock exchange trading system.

- 1a. The client and counterparty agree on bond trade details directly or place the trade order with licensed brokers.
- 1b. Under current practice, brokers execute bond trades via negotiation directly with counterparty and input trades to the exchange, i.e., trades are executed before the trade date (TD), which is the date brokers enter the trades to the trading system.
2. The client sends settlement instructions to the global custodian by TD-1 at 4:00 p.m. Eastern Standard Time (EST).
3. The global custodian sends settlement instructions to the sub-custodian.

Trade Date

4. After checking cash and/or securities availability with the sub-custodian, the broker inputs the order into the stock exchange trading system for matching.
5. The stock exchange matches orders and issues confirmation of trade execution to the broker and reports trade details to the Vietnam Securities Depository (VSD).
6. The broker confirms trade details back to the client and the sub-custodian between 1:00 p.m. and 2:00 p.m.
7. VSD confirms the trade details to the sub-custodian between 2:00 p.m. and 4:00 p.m.
8. The sub-custodian provides trade details to State Street upon receipt of the bond trade confirmation from the broker and the VSD.
9. In case of mismatch, the sub-custodian requests the broker to provide evidence (e.g., trade order of the client) that the trade is correctly executed. If the broker can provide valid evidence, the trade must be settled in accordance with the regulation. The sub-custodian liaises with State Street to obtain the amended instruction. The global custodian sends the amended instruction to the sub-custodian by 7:00 p.m. on TD.

Trade Date +1

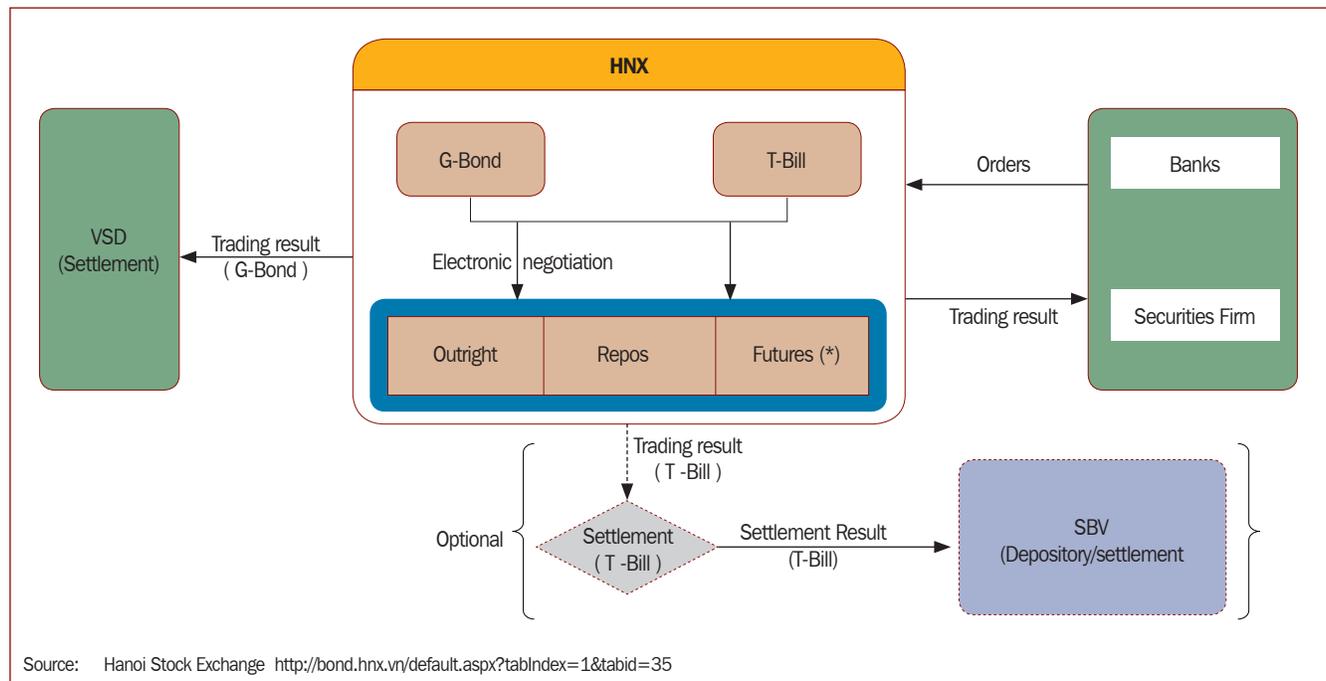
10. If the broker cannot provide valid evidence, the sub-custodian files a dispute to the VSD by 8:30 a.m. on TD+1 (SD). Depository participants must report error trades to the VSD by 8:30 a.m. on TD+1 (SD). It does not mean that the trade can be cancelled. Trade can only be cancelled when there is no solution, and the default party must bear all costs and/or losses. The party who makes the error should be responsible to settle the trade.
11. By 8:30 a.m., the sub-custodian or broker proposes a solution to the VSD for trade correction, if there is any error reported on trade date. In most cases, the broker will borrow securities from other participants or use their own portfolio to settle. Based on the proposal, VSD will re-allocate the securities and send the post-trade correction notification to the relevant participants.
12. Depository participants fund their cash settlement accounts at the Bank for Investment and Development of Vietnam (BIDV), the market's clearing bank, for their net cash obligation by 11:00 a.m.
13. BIDV checks the availability of funds in these accounts and reports to the VSD by 11:30 a.m.

14. From 1:00 p.m. to 2:00 p.m., BIDV transfers the cash to the net delivering depository participants' clearing and settlement cash accounts at the BIDV while VSD transfers the securities from the participants' omnibus clients' transaction accounts to the participants' clearing and settlement securities accounts at the VSD.
15. Between 2:00 p.m. and 2:30 p.m., BIDV transfers cash to VSD's cash settlement account at BIDV and confirms the fund movement to VSD. VSD transfers securities from all depository participants' clearing and settlement accounts to VSD's settlement account.
16. Between 2:30 p.m. and 2:45 p.m., BIDV transfers the cash balances from VSD's cash settlement account to the net receiving depository participants' clearing and settlement cash accounts at the BIDV and confirms to the VSD. VSD transfers securities from its settlement account to the depository participant's clearing and settlement accounts.
17. Between 2:45 p.m. and 3:00 p.m., BIDV transfers the cash balances from the depository participant's clearing and settlement cash accounts to the depository participants' cash settlement accounts and confirms with the VSD. VSD transfers the securities from depository participant's clearing and settlement accounts to the participants' omnibus clients' transaction accounts.
18. The sub-custodian confirms the settlement with the global custodian.
19. The global custodian provides confirmation to the client.

B. The Viet Nam Government Bond Market

Government bonds and T-bills (from 2012) are exclusively traded on HNX. Figure 3.2 illustrates the trading environment for government bonds and T-bills on HNX.

Figure 3.2. Trading Environment for Government Bonds and T-bills on HNX



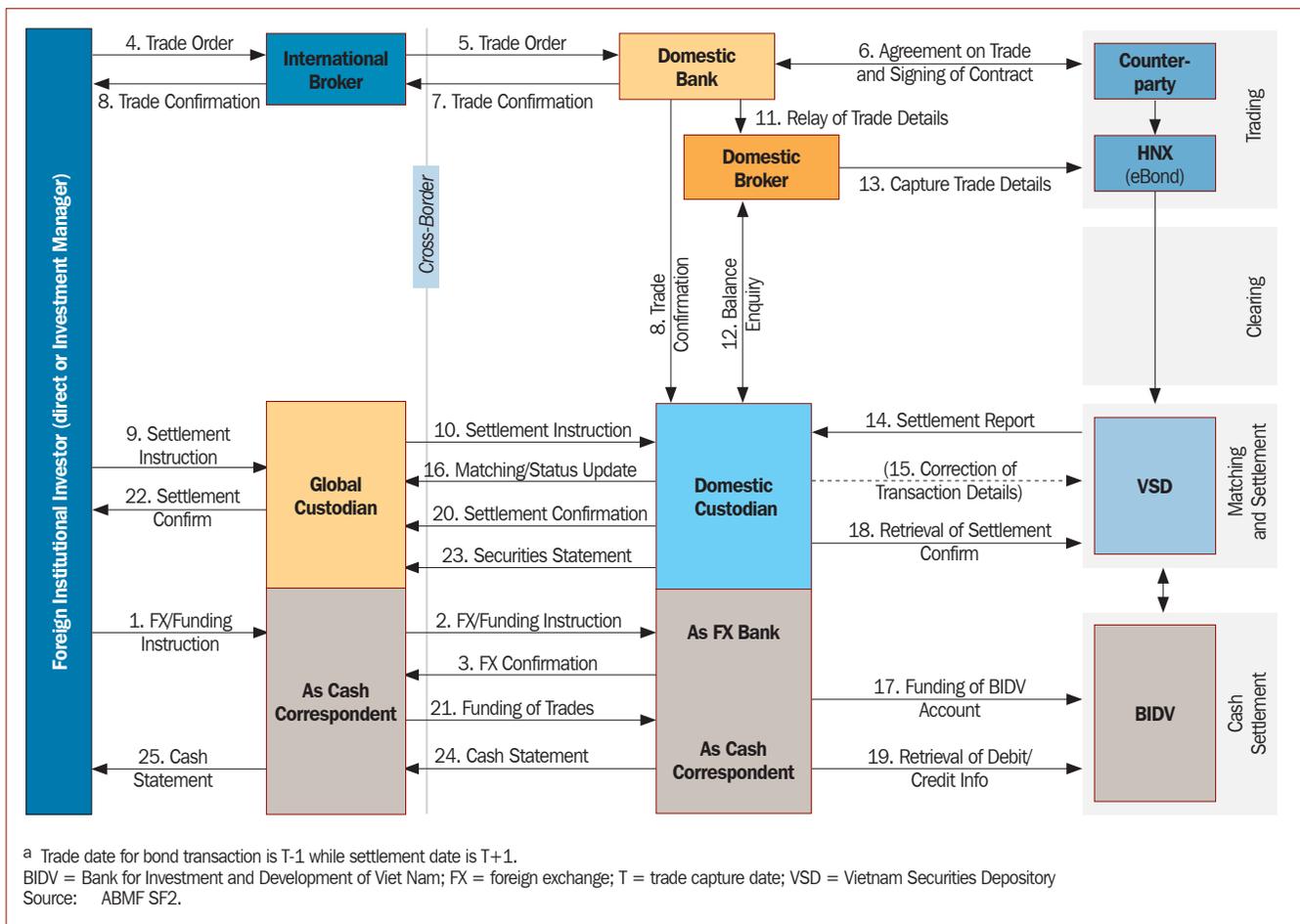
C. Bond Repurchase Market

Repo transactions for government bonds are available on the Hanoi Stock Exchange (HNX). Such repos are governed by Decision No. 46/2008/QD-BTC issued by the MOF on the rules for government bond trading management at the Hanoi Securities Trading Center (former name of HNX). In this context, the MOF also issued Circular No. 206/2009/TT-BTC dated 27 October 2009 instructing the accounting treatment for government bond repo transactions pursuant to Decision No. 46/2008/QD-BTC.

From August 2008, some local securities companies have restarted corporate bond repo services for selected clients and portfolios.

D. Viet Nam Bond Transaction Flow for Foreign Investors

Figure 3.3 Bond Transaction Flow for Foreign Investors



Below is the description of the steps of the OTC bond transaction flow for foreign investors:

1. The foreign institutional investor sends the foreign exchange (FX) or funding instruction to the global custodian for planned bond trades.
2. The global custodian sends FX or funding instruction to the domestic custodian to ensure timely availability of Vietnamese dong.
3. The domestic custodian sends FX confirmation to the global custodian.
4. The foreign institutional investor places the order with the international broker.
5. The international broker places the order, typically with a domestic bank.
6. The domestic broker or bank trade OTC with a counterparty via phone, and both parties sign a trade agreement (contract).
7. The domestic broker or bank sends trade confirmation to the international broker and to the domestic custodian.
8. The international broker sends trade confirmation to the foreign institutional investor.
9. The foreign institutional investor sends the securities settlement instruction to the global custodian.
10. The global custodian instructs domestic custodian on securities settlement details.
11. The domestic bank relays the trade details to the domestic broker (as HNX member) for trade capture.
12. The domestic broker checks available funds or bonds with the domestic custodian.
13. The domestic broker captures the trade details on HNX, typically via the eBond front-end system.
14. VSD provides the settlement report to the domestic custodian (at end of 'Trade Date').
15. Only in the event of a discrepancy does the domestic custodian need to contact VSD (hence dashed arrow).
16. The domestic custodian provides settlement or matching status to the global custodian.
17. The domestic custodian effects funding of BIDV account.
18. After the settlement deadline, the domestic custodian retrieves the settlement confirmation from VSD (hardcopy or online).
19. After the settlement deadline, the domestic custodian retrieves cash debit and/or credit confirmations from BIDV (hardcopy).
20. The domestic custodian sends the settlement confirmation to the global custodian.
21. The global custodian effects funding of the account with the domestic custodian, or into foreign currency nostro account (before end of day).
22. The global custodian sends the settlement confirmation to the foreign institutional investor.
23. The domestic custodian sends the securities statement to the global custodian.
24. The domestic custodian sends the debit and/or credit information in cash statement to the global custodian.
25. The global custodian sends the cash statement to the foreign institutional investor.

IV. Possible Impediments and Restrictions

This section discusses some of the weaknesses observed in the government bond market.

A. Lack of Liquidity in the Secondary Market

The liquidity of the government bond market needs to improve. The number of bond codes traded in 2010 accounted for 40% of the listed bond codes in the system. The market's turnover is about 35% of the whole market, which is relatively low.

B. Increase in Market's Listing Scale

In addition, the whole market's listing scale increased. The listing scale of each particular bond code was small, which resulted in difficulties for investors in choosing bond codes to trade. Meanwhile, market membership needs to be further diversified, and the standard of bond trading needs to be improved.

C. Imbalance in Bond Terms

An imbalance in bond terms issued on the primary market is also part of the market's weaknesses. While winning volumes of 2-, 3- and 5-year bonds were quite high, the numbers for 10- and 15-year bonds were relatively low.

D. Repo Market

Repo market is not operational enough.

E. Securities Lending

The current regulations do not permit securities lending in the Viet Nam market. However, there is supported lending that takes place among securities companies when a securities company is unable to meet its settlement obligations with the VSD.

F. Lack of Regulation Related to Private Placement Market

Regulation is currently lacking for the private placement market.

G. Market Entrance Requirements

Currently, requirements are burdensome for non-residents, one of which is the application for a securities trading code (STC). Before establishing an account and trading in listed and/or unlisted securities in Viet Nam, foreign investors must apply for an STC with the VSD. The VSD uses the STC to monitor foreign ownership limits in the equity market. According to local regulations, foreign investors are:

- (i) individuals with foreign nationalities residing in foreign laws and the branches of such organizations, including branches in Viet Nam;
- (ii) organizations established and operated under foreign laws and the branches of such organizations, including branches in Viet Nam;
- (iii) wholly foreign-owned organizations set up and operated under Vietnamese laws and the branches of such organizations;
- (iv) investment funds founded and operated under foreign laws, and 100% foreign-invested funds established and operated under Vietnamese laws; or
- (v) other cases as indicated in separate stipulation by the Prime Minister.

Applications for an STC must include documents, which will be forwarded to the VSD. The investor must complete VSD's Securities Trading Code Application Form for Offshore Foreign Institutional Investors to invest in Viet Nam's securities markets, which must be signed by an authorized signatory of the applicant's office. If the investor is under a fund-sub-fund structure when applying for an STC, the account must be named either:

- a. the name of the sub-fund, or
- b. name of the fund–name of the sub-fund.

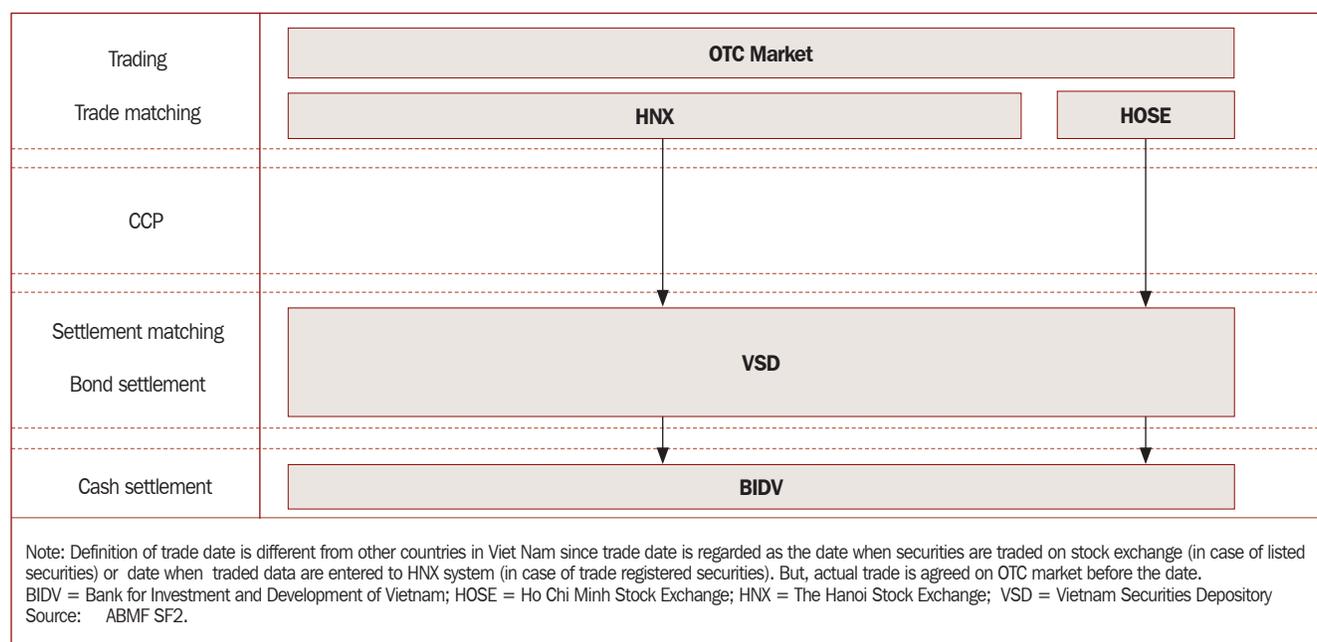
The investor must provide supporting documents to prove the legal status of the applicant. Investors must also ensure that the names are consistent between supporting documents and they exactly match the name used on the application form. If the names do not match, documentation showing the change in name must also be submitted.²²

²² State Street. 2010. *The Guide to Custody in World Markets, Vietnam*. <insert place of publication>.

V. Description of the Securities Settlement System

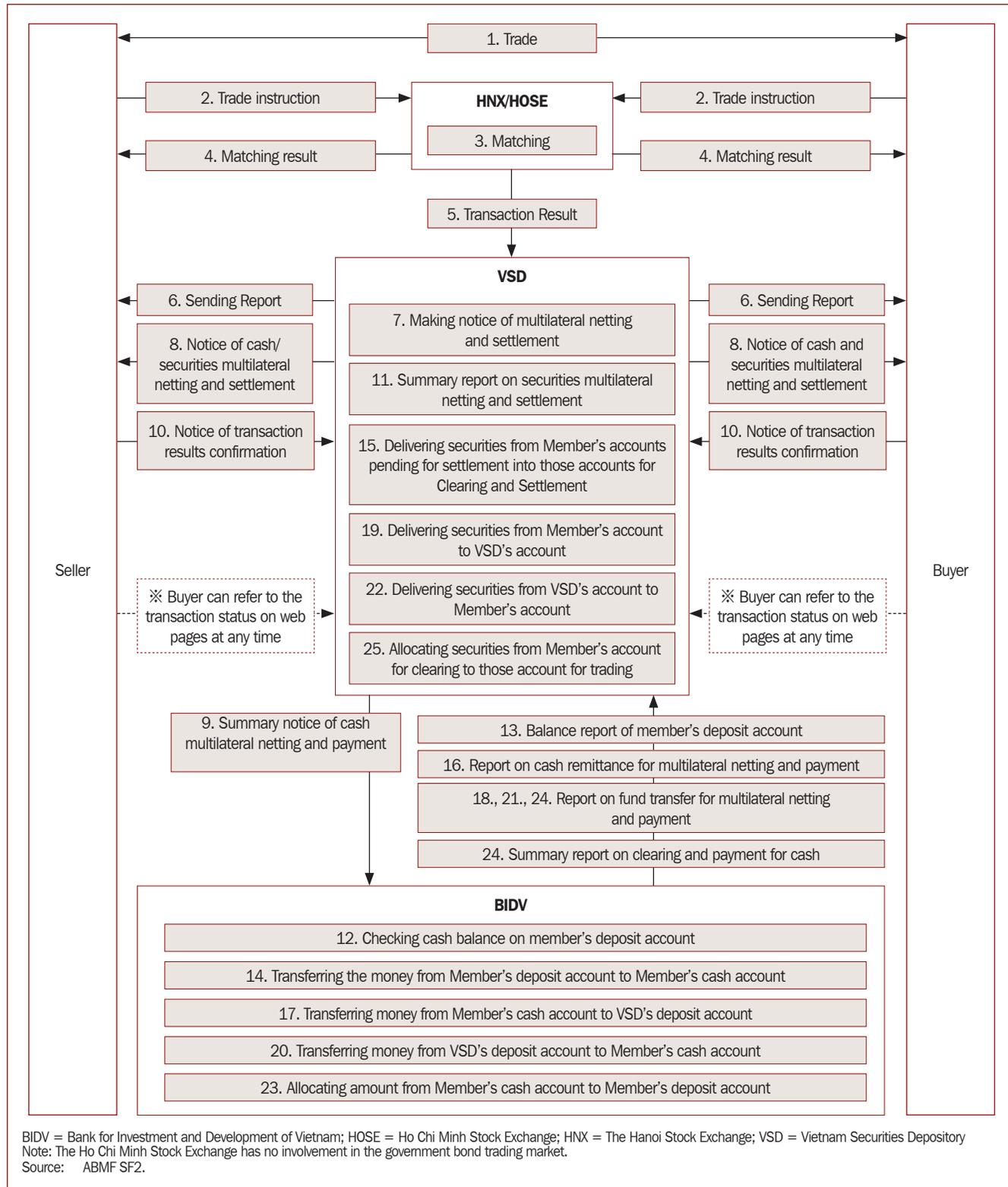
A. Securities Settlement Infrastructure

Figure 5.1 Securities Settlement Infrastructure in Viet Nam



The following flowcharts (Figures 5.1) are intended to illustrate the bond transaction steps in the Vietnamese market, as seen between the buyer side and seller side of a bond transaction, and following through from the original trade negotiation to cash settlement. For easy reference, the individual steps indicated in Figures 5.1. are explained after the diagram.

Figure 5.2 Business Process Flow Chart of the Government Bond Market (Delivery versus Payment)



B. Settlement Cycle

The settlement cycle for government bonds is T+1.²³ On Trade Date (T), after the morning trading session, the Ho Chi Minh Stock Exchange (HOSE) or Hanoi Stock Exchange (HNX) processes all trades. At 3:30 p.m., custodian banks or securities firms receive the confirmed trade date and advice for settlement. Based on the confirmed settlement amount and number of bonds advices received from the HOSE or HNX on T+1 morning, the custodian bank debits the client's account and transfers the fund to its account with the designated bank to ensure that by the end of the morning clearing session, the settlement fund is transferred. A transfer made after the regulated settlement cycle cut-off time (T+1) by the custodian bank is considered a violation of the current settlement regulation.

For listed corporate bonds, the settlement cycle is T+3, the same as for the stock market. Unlisted corporate bonds settle as per the agreement between trading parties.

C. Settlement Method

Settlement of transactions in listed bonds is done on a book-entry basis by VSD. Bond transactions of VSD participants are netted by bond issue and the net amounts are debited from or credited to participants' securities accounts. Cash is settled on a net basis through the participants' accounts at BIDV.

Settlement for unlisted bonds is effected as a physical transfer of certificates between buyer and seller, or their intermediaries. Here, both securities and cash or cash instruments, such as cheques, are exchanged at the place of settlement, typically a bank counter.

D. Definition of Clearing and Settlement

1. Securities Clearing

According to Items 7 and 8 of Article 2 of *Decision No. 87/2007/QDBTC* on registration, depository, clearing, and settlement of securities, securities' clearing includes bilateral clearing and multilateral clearing. Bilateral clearing means the method of clearing securities transactions which have been matched during the same day between any two trading parties with respect to one type of securities to determine the net sum and securities which must be settled by both parties. Multilateral clearing means the method of clearing securities transactions which have been matched during the same day between all trading parties with respect to one type of securities to determine the net sum and securities which must be settled by all parties.

2. Securities Settlement

Securities delivery is made by the Vietnam Securities Depository (VSD) while cash payment is made by the settlement bank. The delivery-versus-payment (DVP)

²³ In the Vietnamese bond market, Trade Date is understood to be the date on which a bond trade is captured in the HNX bond trading platform; the trade agreement between counterparties may precede the Trade Date. The settlement cycle for bonds is calculated from Trade Date, as is international practice.

principle is to be observed. Settlement for securities transactions at stock exchanges is based on multi-netting results with T+1 settlement cycle for bonds. VSD organizes the settlement for securities trading transactions at stock exchanges as follows:

- (a) For securities, the VSD clears transactions and transfers securities via its account and depository accounts of selling and buying members opened at VSD.
- (b) For cash, the VSD clears cash for each member at each market. Concurrently, the settlement bank (the Bank for Investment and Development of Vietnam [BIDV]) makes payment for securities transactions via cash accounts of members and of VSD opened at the Bank.

According to Article 32 of *Decision No. 87/2007/QD-BTC*, the VSD settles securities based on bilateral and multilateral clearing results, and then settles each transaction for listed and unlisted securities under its purview. The settlement bank effects payment orders according to cash clearing results sent by the VSD. Cash and securities settlement are the last post-trade activities to complete securities transactions, i.e., both parties fulfill their obligations and based on cash and securities clearing results, the seller delivers the securities and the buyer delivers payment.

Article 3 of the VSD guideline on securities clearing and settlement stipulates that the VSD shall clear securities and funds, and settle securities transactions in accordance with the principles prescribed in Article 32 and 33 of the *Guidelines on Securities Registration, Depository, Clearing and Settlement* issued with *Decision No. 8712007/QDBTC* dated 22 October 2007 by the Minister of Finance, and Article 11 of *Circular No. 43/2010/TT-BTC* dated 25 March 2010 by the Minister of Finance on amending and supplementing the *Guidelines on Securities Registration, Depository, Clearing and Settlement* issued with *Decision No. 87/2007/QD-BTC* dated 22 October 2007 by the Minister of Finance.

Cash clearing shall be made for each member by each market. For transactions of stocks, fund certificates, and corporate bonds listed and registered for trading on stock exchanges, the cash of each member shall be transferred on the basis that VSD shall clear the amount receivable and the amount payable for transactions executed at the same time and with the same settlement method at the stock exchanges. Transaction settlement shall be made based on the DVP principle.

The VSD clears settlement obligations (receivables and payables) towards transactions of listed stocks, fund certificates, and corporate bonds with the same payment time and manner at two stock exchanges to calculate settlement obligations to receive or to pay through each depository member.²⁴

²⁴ Citibank. 2009. "Domestic Custody Services," *Market Guide Vietnam*. Hong Kong, p. 17.

VI. Cost and Charging Methods

Fees are determined under a mutual agreement between securities companies, investment management companies, and its customers. The applicable fees are based on *Circular No. 38/2011/TT-BTC* dated 16 March 2011. These are shown in Table 6.1.

Table 6.1 Fees in the Viet Nam Bond Market

Particulars	Percentage of Fees/Commission
Brokerage Commission	- Shares, Fund Certificates: from 0.15% to 0.5% of the trading value from 0.02% to 0.1% of the trading value
Underwriting Fees	from 0.5% to 2% of the underwritten sum.
Investment Consultancy Fees	Percentage decided by mutual agreement
Fund Management Fees	Not more than 2% of the asset value
Portfolio Management Fees	Not more than 2% of the asset value
Domestic Fund Administration	Not more than 0.15% of assets value under administration
Custodian Fees	As prescribed by the Vietnam Securities Depository

Source: Deutsche Bank AG Domestic Custody Services. 2009. *Market Guide Vietnam*.

The new fee schedule applicable on the stock exchanges and the Vietnam Securities Depository (VSD) is in accordance with *Circular No. 27/2010/TT-BTC* dated 26 February 2010. The fee schedule, according to fee type and classification, is shown in Tables 6.2 and 6.3.

Table 6.2 New Fees Schedule

Fee Type	Fee Level (in VND)
Terminal Utilization Fee ^a	20 million/per terminal/per annum
Transaction Fees	
Shares, Fund Certificates	VND 5/lot/month (1 lot= 10 securities)
Bonds	VND 2/lot/month
Annual Listing Management Fee	
Listing Value < VND100 billion	15 million VND
Listing Value >VND 100 billion <VND 500 billion	20 million VND

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Table 6.2 continuation

Fee Type	Fee Level (in VND)
Listing Value > VND 500 billion	20 million + 0.001% of listing value but not more than 50,000,000
Custody Fees	
Securities Custody	VND2 per lot per month ^b
Securities Transfer	VND 5/lot but not more than VND 500,000 per transfer.
^a The terminal used by the dealer on each trading floor. ^b A lot is equivalent to 10 securities. Source: Deutsche Bank AG Domestic Custody Services, 2009. <i>Market Guide Vietnam</i> . Vietnam Securities Depository	

Table 6.3 Fees Schedule according to Classification

Classifications	Fee
Exchange Fee	
Depository Fee	
Shares, Fund certificates	VND5/lot/month
Bonds	VND2/lot/month
Broker Fee	0.15%
Transaction Fee (Listed and UPCoM)	0.03% transaction amount
Transaction Fee (Bond Repo)	
Up to 2 weeks	0.005%
Over 2 weeks	0.0075%
Transfer Fee (for both transactions and change of custodian) ^a	VND5 per lot (maximum of VND500,000 per transfer)
Trade Error Correction Fee (paid by error party)	VND500,000 per transactions
Ownership Transfer Fee on off-exchange transactions for listed securities	0.1%
^a Previously, transfer upon custodian change is free. There are no stamp duty and registration costs. Source: Deutsche Bank AG Domestic Custody Services, 2009. <i>Market Guide Vietnam</i> . Vietnam Securities Depository	

VII. Market Size and Statistics

A. Size of Local Currency Bond Market in US Dollars (Local Sources)

Table 7.1 Size of Local Currency Bond Market (Local Sources) (\$ billion)

Date	Government	Corporate	Total
Mar-00	0.01	0	0.01
Jun-00	0.01	0	0.01
Sep-00	0.09	0	0.09
Dec-00	0.09	0	0.09
Mar-01	0.09	0	0.09
Jun-01	0.09	0	0.09
Sep-01	0.15	0	0.15
Dec-01	0.19	0	0.19
Mar-02	0.20	0	0.20
Jun-02	0.22	0	0.22
Sep-02	0.24	0	0.24
Dec-02	0.28	0	0.28
Mar-03	0.31	0	0.31
Jun-03	0.39	0	0.39
Sep-03	0.57	0	0.57
Dec-03	0.85	0	0.85
Mar-04	1.07	0	1.07
Jun-04	1.16	0	1.16
Sep-04	1.43	0	1.43
Dec-04	1.59	0	1.59
Mar-05	1.74	0	1.74
Jun-05	1.97	0	1.97
Sep-05	2.20	0	2.20
Dec-05	2.64	0	2.64
Mar-06	3.05	0	3.05
Jun-06	3.70	0	3.70
Sep-06	4.38	0.01	4.39
Dec-06	5.02	0.01	5.03

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Table 7.1 continuation

Date	Government	Corporate	Total
Mar-07	6.71	0.01	6.72
Jun-07	7.53	0.01	7.54
Sep-07	8.04	0.26	8.30
Dec-07	9.55	0.33	9.89
Mar-08	12.00	0.41	12.42
Jun-08	11.48	0.57	12.06
Sep-08	12.23	0.58	12.81
Dec-08	12.74	0.55	13.29
Mar-09	11.24	0.54	11.79
Jun-09	11.54	0.52	12.07
Sep-09	11.84	0.86	12.7
Dec-09	10.9	1.06	11.97
Mar-10	10.75	1.14	11.89
Jun-10	13.88	1.45	15.32
Sep-10	13.61	1.23	14.84
Dec-10	13.79	1.82	15.61
Mar-11	14.17	1.67	15.83
Jun-11	15.28	1.59	16.87

Source: AsianBondsOnline. <http://asianbondsonline.adb.org/vietnam/data.php>

B. Size of Local Currency Bond Market in Percentage of Gross Domestic Product (Local Sources)

Table 7.2 Size of Local Currency Bond Market (Local Sources)
(\$ billion, % GDP)

Date	Govt (% GDP)	Corp (% GDP)	Total (% GDP)	Govt (\$ billions)	Corp (\$ billions)	Total (\$ billions)
Mar-00	0	0	0	0.01	0	0.01
Jun-00	0	0	0	0.01	0	0.01
Sep-00	0.3	0	0.3	0.09	0	0.09
Dec-00	0.3	0	0.3	0.09	0	0.09
Mar-01	0.3	0	0.3	0.09	0	0.09
Jun-01	0.3	0	0.3	0.09	0	0.09
Sep-01	0.5	0	0.5	0.15	0	0.15
Dec-01	0.6	0	0.6	0.19	0	0.19
Mar-02	0.6	0	0.6	0.20	0	0.20
Jun-02	0.7	0	0.7	0.22	0	0.22
Sep-02	0.7	0	0.7	0.24	0	0.24
Dec-02	0.8	0	0.8	0.28	0	0.28
Mar-03	0.9	0	0.9	0.31	0	0.31
Jun-03	1.1	0	1.1	0.39	0	0.39
Sep-03	1.5	0	1.5	0.57	0	0.57
Dec-03	2.2	0	2.2	0.85	0	0.85
Mar-04	2.7	0	2.7	1.07	0	1.07

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Table 7.2 continuation

Date	Govt (% GDP)	Corp (% GDP)	Total (% GDP)	Govt (\$ billions)	Corp (\$ billions)	Total (\$ billions)
Jun-04	2.8	0	2.8	1.16	0	1.16
Sep-04	3.3	0	3.3	1.43	0	1.43
Dec-04	3.5	0	3.5	1.59	0	1.59
Mar-05	3.7	0	3.7	1.74	0	1.74
Jun-05	4.0	0	4.0	1.97	0	1.97
Sep-05	4.3	0	4.3	2.20	0	2.20
Dec-05	5.0	0	5.0	2.64	0	2.64
Mar-06	5.7	0	5.7	3.05	0	3.05
Jun-06	6.7	0	6.7	3.70	0	3.70
Sep-06	7.6	0	7.6	4.38	0.01	4.39
Dec-06	8.3	0	8.3	5.02	0.01	5.03
Mar-07	10.7	0	10.8	6.71	0.01	6.72
Jun-07	11.7	0	11.7	7.53	0.01	7.54
Sep-07	11.9	0.4	12.3	8.04	0.26	8.30
Dec-07	13.4	0.5	13.8	9.55	0.33	9.89
Mar-08	16.3	0.6	16.9	12.00	0.41	12.42
Jun-08	15.2	0.8	15.9	11.48	0.57	12.06
Sep-08	14.9	0.7	15.6	12.23	0.58	12.81
Dec-08	15.0	0.7	15.6	12.74	0.55	13.29
Mar-09	13.0	0.6	13.6	11.24	0.54	11.79
Jun-09	12.9	0.6	13.5	11.54	0.52	12.07
Sep-09	13.0	0.9	13.9	11.84	0.86	12.70
Dec-09	12.2	1.2	13.3	10.90	1.06	11.97
Mar-10	12.0	1.3	13.3	10.75	1.14	11.89
Jun-10	14.9	1.5	16.4	13.88	1.45	15.32
Sep-10	14.2	1.3	15.5	13.61	1.23	14.84
Dec-10	13.6	1.8	15.4	13.79	1.82	15.61
Mar-11	14.4	1.7	16.1	14.17	1.67	15.83
Jun-11	14.3	1.5	15.8	15.28	1.59	16.87

Source: AsianBondsOnline. http://asianbondsonline.adb.org/vietnam/data/bondmarket.php?code=LCY_in_GDP_Local.

C. Foreign Currency Bonds (Bank of International Settlement)

Table 7.3 Foreign Currency Bonds (BIS) (\$ billion)

Date	Foreign Currency-Denominated Bonds
Dec-95	0
Dec-96	0
Dec-97	0
Dec-98	0.5
Dec-99	0.5
Dec-00	0.5
Dec-01	0.5
Dec-02	1.0
Dec-03	1.0

continued on next page

Table 7.3 continuation

Date	Foreign Currency-Denominated Bonds
Mar-04	1.0
Jun-04	1.0
Sep-04	1.0
Dec-04	1.0
Mar-05	1.0
Jun-05	1.0
Sep-05	1.0
Dec-05	1.8
Mar-06	1.8
Jun-06	1.8
Sep-06	1.7
Dec-06	1.7
Mar-07	1.7
Jun-07	1.9
Sep-07	1.9
Dec-07	1.9
Mar-08	1.9
Jun-08	1.9
Sep-08	1.9
Dec-08	1.9
Mar-09	2.0
Jun-09	2.0
Sep-09	1.9
Dec-09	2.0
Mar-10	2.9
Jun-10	2.9
Sep-10	2.9
Dec-10	2.9
Mar-11	2.9

Source: AsianBondsOnline. http://asianbondsonline.adb.org/vietnam/data/bondmarket.php?code=FCY_in_USD

D. Foreign Currency Bonds to Gross Domestic Product Ratio

Table 7.4 Foreign Currency Bonds to GDP Ratio (\$ billion)

Date	as % of GDP	Foreign Currency-Denominated Bonds	GDP
Dec-95	0	0	20.8
Dec-96	0	0	24.4
Dec-97	0	0	25.5
Dec-98	2.1	0.5	26.0
Dec-99	1.9	0.5	28.5
Dec-00	1.8	0.5	30.4
Dec-01	1.7	0.5	31.9
Dec-02	3.0	1.0	34.8

continued on next page

Table 7.4 continuation

Date	as % of GDP	Foreign Currency-Denominated Bonds	GDP
Dec-03	2.7	1.0	39.2
Mar-04	2.6	1.0	39.9
Jun-04	2.5	1.0	41.5
Sep-04	2.4	1.0	42.6
Dec-04	2.3	1.0	45.4
Mar-05	2.2	1.0	46.9
Jun-05	2.1	1.0	49.0
Sep-05	2.0	1.0	50.9
Dec-05	3.4	1.8	52.7
Mar-06	3.3	1.8	54.0
Jun-06	3.2	1.8	55.4
Sep-06	3.0	1.7	57.7
Dec-06	2.9	1.7	60.7
Mar-07	2.8	1.7	62.5
Jun-07	3.0	1.9	64.5
Sep-07	2.8	1.9	67.6
Dec-07	2.7	1.9	71.4
Mar-08	2.6	1.9	73.7
Jun-08	2.5	1.9	75.8
Sep-08	2.3	1.9	82.1
Dec-08	2.2	1.9	84.9
Mar-09	2.3	2.0	86.6
Jun-09	2.2	2.0	89.4
Sep-09	2.1	1.9	91.1
Dec-09	2.3	2.0	89.7
Mar-10	3.3	2.9	89.7
Jun-10	3.1	2.9	93.4
Sep-10	3.0	2.9	95.7
Dec-10	2.9	2.9	101.6
Mar-11	2.9	2.9	98.6

Source: AsianBondsOnline. http://asianbondsonline.adb.org/vietnam/data/bondmarket.php?code=FCY_in_GDP

E. FCY Bonds Outstanding (Local Sources)

Table 7.5 Foreign Currency Bonds Outstanding (Local Sources) (\$ billion)

Date	Government	Banks and Financial Institutions	Other Corporates	Total Foreign Currency
Mar-00	0.39	0	0	0.39
Jun-00	0.39	0	0	0.39
Sep-00	0.39	0	0	0.39
Dec-00	0.39	0	0	0.39
Mar-01	0.39	0	0	0.39
Jun-01	0.39	0	0	0.39
Sep-01	0.39	0	0	0.39
Dec-01	0.39	0	0	0.39
Mar-02	0.39	0	0	0.39

continued on next page

Table 7.5 continuation

Date	Government	Banks and Financial Institutions	Other Corporates	Total Foreign Currency
Jun-02	0.39	0	0	0.39
Sep-02	0.39	0	0	0.39
Dec-02	0.39	0	0	0.39
Mar-03	0.39	0	0	0.39
Jun-03	0.39	0	0	0.39
Sep-03	0.39	0	0	0.39
Dec-03	0.39	0	0	0.39
Mar-04	0.39	0	0	0.39
Jun-04	0.39	0	0	0.39
Sep-04	0.39	0	0	0.39
Dec-04	0.39	0	0	0.39
Mar-05	0.39	0	0	0.39
Jun-05	0.39	0	0	0.39
Sep-05	0.39	0	0	0.39
Dec-05	1.14	0	0	1.14
Mar-06	1.14	0	0	1.14
Jun-06	1.14	0	0	1.14
Sep-06	1.14	0	0	1.14
Dec-06	1.14	0	0	1.14
Mar-07	1.14	0	0	1.14
Jun-07	1.14	0	0	1.14
Sep-07	1.14	0	0	1.14
Dec-07	1.14	0	0	1.14
Mar-08	1.14	0	0	1.14
Jun-08	1.14	0	0	1.14
Sep-08	1.14	0	0	1.14
Dec-08	1.14	0	0	1.14
Mar-09	1.37	0	0	1.37
Jun-09	1.37	0	0	1.37
Sep-09	1.57	0	0	1.57
Dec-09	1.77	0	0.07	1.85
Mar-10	2.67	0	0.07	2.75
Jun-10	2.62	0	0.07	2.70
Sep-10	2.57	0	0.07	2.65
Dec-10	2.42	0	0.07	2.49
Mar-11	2.33	0	0.04	2.36

Source: AsianBondsOnline. http://asianbondsonline.adb.org/vietnam/data/bondmarket.php?code=FCY_Bonds_Outstanding

F. Issuance Volume of Local Currency Bond Market in US Dollars

Table 7.6 Issuance Volume of Local Currency Bond Market (\$ billion)

Date	Govt	Corp	Total
Mar-00	0.0059	0	0.0059
Jun-00	0.0053	0	0.0053
Sep-00	0.0774	0	0.0774
Dec-00	0	0	0
Mar-01	0	0	0

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Table 7.6 continuation

Date	Govt	Corp	Total
Jun-01	0.0033	0	0.0033
Sep-01	0.0660	0	0.0660
Dec-01	0.0393	0	0.0393
Mar-02	0.0057	0	0.0057
Jun-02	0.0256	0	0.0256
Sep-02	0.0163	0	0.0163
Dec-02	0.0477	0	0.0477
Mar-03	0.0281	0	0.0281
Jun-03	0.0823	0	0.0823
Sep-03	0.1848	0	0.1848
Dec-03	0.2793	0	0.2793
Mar-04	0.2284	0	0.2284
Jun-04	0.0847	0	0.0847
Sep-04	0.2704	0	0.2704
Dec-04	0.1667	0	0.1667
Mar-05	0.1613	0	0.1613
Jun-05	0.2300	0	0.2300
Sep-05	0.3213	0	0.3213
Dec-05	0.4582	0	0.4582
Mar-06	0.4360	0	0.4360
Jun-06	0.6701	0	0.6701
Sep-06	0.7634	0.0082	0.7716
Dec-06	0.6780	0	0.6780
Mar-07	1.6854	0	1.6854
Jun-07	0.8742	0	0.8742
Sep-07	0.5007	0.2487	0.7494
Dec-07	1.5146	0.0749	1.5895
Mar-08	2.5081	0.0838	2.5919
Jun-08	0.0119	0.1781	0.1900
Sep-08	0.7636	0	0.7636
Dec-08	1.4060	0	1.4060
Mar-09	0.1629	0	0.1629
Jun-09	0.4163	0.0562	0.4725
Sep-09	0.6655	0.3419	1.0074
Dec-09	0.2584	0.2354	0.4938
Mar-10	1.4120	0.1096	1.5216
Jun-10	3.3205	0.3068	3.6273
Sep-10	0.3438	0.1001	0.4438
Dec-10	0.4884	0.0872	0.5755
Mar-11	2.1528	0.0122	2.1650
Jun-11	1.1326	0	1.1326

Source: AsiaBondsOnline. http://asianbondsonline.adb.org/vietnam/data/bondmarket.php?code=Issuance_Volume_LCY

VIII. Presence of an Islamic Finance (Islamic Bond [*Sukuk*] Market)

There is no Islamic finance market in Viet Nam.

IX. History of Capital Market Development

The development of the regulatory framework for the capital market in Viet Nam can be traced through the following decisions:

Table 9.1 Evolution of Capital Market Regulatory Framework in Viet Nam

Month/Year	Event	Remarks
November 1993	The Capital Market Development Board under the State Bank of Vietnam	Governor's Decision No. 207/QD-TCCB
September 1994	The Board for Drafting the Decree-Law of Securities Market	
June 1995	The Board for the Preparation of the Securities Market	PM's Decision No. 361/QDTTg
28 November 1996	<p>Establishment of The State Securities Commission (SSC). Under the Government's Decree No. 75/CP, the SSC was set up as a governmental agency charged with the mission of organizing and regulating the operations in the field of securities and securities market. The establishment of this securities regulator prior to the actual functioning of the securities market itself proved to be an approach consistent with the general directives of building and developing the securities market in Viet Nam, and this determined the birth of the securities market over 3 years later. SSC plays a decisive role in preparing the necessary conditions for the setup of the securities market. At the same time, it is its major job to organize and regulate the securities and securities market operations, with the focal mission of facilitating the process of fund mobilization for development investment; ensuring the orderly, safe, transparent, equitable and efficient operation of the securities market; and no less importantly, protecting investors' legitimate rights and interests.</p> <p>SSC is a governmental agency having full and complete functions, duties and powers of a securities regulator, exercising its supervisory and regulatory operations over the securities industry, helping push forward the development of the securities market, and protecting investors legitimate rights and interests. At the same time, the SSC is also the regulator of all public services in the securities industry.</p> <p>Therefore, the SSC was assigned with duties and powers as follows:</p> <p>2.1.1. Drafting legal documents on securities and securities markets and submitting them to the competent authorities for ratification, and organizing the implementation of these documents once passed;</p> <p>2.1.2. Collaborating with other ministries and industries to plan the building and development of the securities markets;</p> <p>2.1.3. Granting, suspending, or revoking various kinds of licenses of such market participants as securities houses, securities advisory companies, securities investment funds, fund management companies, issuing and listed organizations, and other securities-related organizations;</p> <p>2.1.4. Permitting the establishment of service-providing and ancillary organizations, and regulating them in compliance with applicable laws and regulations;</p>	Decree No. 75/CP

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>2.1.5. Submitting to the Prime Minister for the establishment, suspension or dissolution of the Stock Exchange;</p> <p>2.1.6. Examining and supervising the operations of the Stock Exchange and other organizations related to securities issuance, trading and services;</p> <p>2.1.7. Promulgating regulations and requirements on issuance and listing of securities and on information of securities transactions; discussing with the Ministry of Finance on fees and charges related to securities issuance and trading;</p> <p>2.1.8. Providing specialized training and retaining to securities regulatory staff and practitioners;</p> <p>2.1.9. Cooperating with international organizations and other countries in the field of securities and securities markets in compliance with applicable laws and the Governments guidelines;</p> <p>2.1.10. Collaborating with other competent authorities in applying necessary measures to ensure the efficient and lawful operations of the securities markets;</p> <p>2.1.11. Managing its human resources and infrastructure in compliance with the Governments regulations; and</p> <p>2.1.12. Exercising other duties as assigned by the Prime Minister.</p> <p>In accordance with this Decree, the organizational apparatus of the SSC was initially comprised of 8 units and divisions, namely:</p> <ul style="list-style-type: none"> - The Securities Market Development Department; - The Securities Issuance Management Department; - The Securities Business Management Department; - The International Relations Department; - The Personnel and Training Department; - The Inspection Department; - The Office of the SSC; - The SSCs Representative Office in Ho Chi Minh City. 	
05 December 1997	In order for the SSC to exercise its new tasks and duties, the Prime Minister issued Decision No. 1038/1997/QD-TTg on the establishment of the Securities Science Research and Training Center.	Decision No. 1038/1997/QD-TTg
11 July 1998	<p>The decision to set up Securities Trading Centers (STCs), one in Ha Noi and the other in Ho Chi Minh City.</p> <p>Most importantly on this year, the Prime Minister's Decision No. 127/1998/QD-TTg pinpointed the coming into being of the two STCs, one in Ha Noi and the other in Ho Chi Minh City. In agreement with the Government's Board of Organization and Personnel (now the Ministry of Home Affairs), the Chairman of the SSC made his decision to set up three other units: the Division of Legal Affairs, the Division of Information Technology, and the Securities Review.</p> <p>The Decree No. 75 of 1996 specified that the leadership of the SSC consisted of the Chairman and Vice-Chairmen, who are appointed by the Prime Minister, and other Ex-officio commissioners, who are Vice-Ministers of relevant ministries, such as Planning and Investment, Justice, Finance, and the State Bank of Vietnam.</p> <p>This model of leadership is suitable for specific conditions and situations in Viet Nam then, and, at the same time, helped bring into full play the comprehensive strengths of relevant authorities in regulating the new and sophisticated industry: securities and securities markets.</p>	PM's Decision No. 127/1998/QD-TTg
19 September 1998	The establishment of the Finance and Accounting Department.	Decision No. 179/1998/QD-TTg
26 May 2000	Government's Decree on the organization and operation of the Securities Inspection Department of the State Securities Commission	17/2000/ND-CP
July 2000	The Ho Chi Minh City Securities Trading Center (HOSTC)	
5 August 2003	The Prime Minister's Decision on the approval of the Strategy for the Development of Vietnam's Securities Market up to year 2010	PM's Decision No. 163/2003/QD-TTg
8 or 12 August 2003	<p>Government's Decree on the functions, duties, powers and organizational structure of the State Securities Commission</p> <p>The reinforcement of the SSC's duties and powers "Decree on Functions, Tasks, Rights and Organization Structure of State Securities Commission."</p> <p>To further consolidate the organizational apparatus of the SSC, the Government promulgated Decree No. 90/2003/ND-CP dated 8 August 2003 on the functions, duties, powers and organizational structure of the SSC, as a replacement of Decree No. 75 of 1995.</p> <p>The SSCs organizational chart, in accordance with Decree No. 90, is as follows:</p>	Decree No. 90/2003/ND-CP

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>Under this Decree, the SSC was once again stipulated as a governmental agency to exercise the tasks and duties of the regulator and service-provider in the field of securities and securities markets. Accordingly, the SSCs duties and powers were made more appropriate with the requirement and development of the market in a new context. The SSCs duties and powers were as follows:</p> <p>2.2.1. Submitting to the Government, the Prime Minister or the Minister authorized by the Prime Minister the legal documents of securities and securities market for approval and then organizing the implementation of those documents;</p> <p>2.2.2. Submitting to the Government, the Prime Minister the strategy, orientation, programs, long-term, 5-year and annual plans, and other important projects of the SSC, and organizing the implementation of those after approval;</p> <p>2.2.3. Issuing, giving guidelines to, examining and organizing the application of standards, processes, procedures, and economic and technical requirements applicable to units and organizations within the SSC as stipulated by applicable laws of securities and securities market;</p> <p>2.2.4. Granting, extending, suspending or revoking licenses of securities issuance, securities listing or securities business and services, or licenses of securities business practitioners as stipulated by applicable laws;</p> <p>2.2.5. Submitting to the Prime Minister for decision to establish, suspend the operation of, or disperse the STC, the Stock Exchange, and other organized securities market;</p> <p>2.2.6. Organizing and managing the STC, the Stock Exchange and other organized securities market, and the centers for securities depository, registration, clearing and settlement;</p> <p>2.2.7. Regulating all operations related to the securities market by securities issuers, listing organizations, securities business organizations and other ancillary institutions as stipulated by applicable laws;</p> <p>2.2.8. Inspecting, examining and supervising all market participants and imposing sanctions to violations of securities and securities market laws as stipulated by applicable laws;</p> <p>2.2.9. Managing all investment and construction projects under its authority as stipulated by applicable laws; participating in the process of evaluating important projects in the field of securities and securities market as requested by the Government or Prime Minister;</p> <p>2.2.10. Giving guidelines to and creating favorable conditions for securities associations in pursuing their goals, missions and charters; examining the enforcement of regulations by these associations; imposing sanctions or proposing to other authorized governmental agencies the sanctions to violations committed by these securities associations as stipulated by applicable laws;</p> <p>2.2.11. Conducting scientific research in the field of securities and securities market; providing specialized training to officials and public servants of the SSC and its units, to securities practitioners and other market participants;</p> <p>2.2.12. Providing information, propaganda, and training in the field of securities and securities market to organizations and the public;</p> <p>2.2.13. Conducting international cooperation in the field of securities and securities market as stipulated by applicable laws;</p> <p>2.2.14. Giving decisions and guidelines for the implementation of the administrative reform program of the SSC, with the goals and contents approved by the Prime Minister;</p> <p>2.2.15. Managing its organizational apparatus and personnel; implementing the salary policies as well as other policies of valence, rewards and punishment for its officials and public servants within its scope of authority;</p> <p>2.2.16. Managing its assigned financial resources and assets and organizing the implementation of fiscal appropriations as stipulated by applicable laws;</p> <p>2.2.17. Observing the reporting regime to the Government, the Prime Minister, and other authorized agencies as stipulated by applicable laws.</p> <p>Concerning the organizational structure of the SSC as stipulated by the Decree No. 90, there were some adjustments in compliance with its revised functions, duties and powers and in line with the Governments general regulations applied to governmental agencies. Therefore, the SSCs organizational apparatus would consist of:</p> <p>a. The SSC's departments assisting its Chairman in exercising regulatory powers in securities and securities markets, including:</p> <ul style="list-style-type: none"> - The Securities Market Development Department: assisting the Chairman in designing strategies and policies for development of securities markets; - The Securities Issuance Management Department: assisting the Chairman in the management of securities issuance and listing; 	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>- The Securities Business Management Department: assisting the Chairman in the management of the organization and operation of securities business and service organizations;</p> <p>- The Legal Affairs Department: assisting the Chairman in exercising the regulatory powers through securities and securities market laws;</p> <p>- The Inspection and Supervision Department: assisting the Chairman and exercising its powers in inspection and supervision of the enforcement of securities and securities market laws;</p> <p>- The Planning - Finance Department: assisting the Chairman in the management of financial resources, accounting and construction work by the SSC's units;</p> <p>- The International Cooperation Department: assisting the Chairman in the issues of international cooperation and international integration in the field of securities and securities market;</p> <p>- The Human Resources Department: assisting the Chairman in the implementation of policies of organizational apparatus, personnel and training for officials and public servants of the SSC;</p> <p>- The Office of the SSC: assisting the Chairman in coordinating operations of the SSC and carrying out the administrative and logistic work of the SSC. The Office of the SSC has its representative branch in Ho Chi Minh City.</p> <p>b. The SSC's profit-seeking and service-providing organizations, include:</p> <p>- The Hanoi Securities Trading Center (HASTC) and the Ho Chi Minh City Securities Trading Center (HOSTC): being profit-seeking and service-providing units, having their own legal status, with the functions and duties of organizing, regulating, managing and supervising securities trading on these Centers. The HASTC is located at No. 5-7, Trang Tien Street, Hoan Kiem District, Hanoi; The HOSTC is located at No. 45-47, Chuong Duong Road, District I, Ho Chi Minh City and was inaugurated on 20 July 2000.</p> <p>- The Center for Information Technology and Statistics: being a profit-seeking and service-providing unit, having its own legal status, with the duties of assisting the SSC to exercise its regulatory powers in the field of information technology application in the securities industry, and providing public services to organizations and individuals operating in the field of securities and securities market. The Center for Information Technology and Statistics is located at No. 164, Tran Quang Khai Street, Hoan Kiem District, Hanoi and has a branch in Ho Chi Minh City.</p> <p>- The Securities Science Research and Training Center: being a profit-seeking and service-providing unit, having its own legal status, with the duties of assisting the SSC to exercise its regulatory powers in conducting the scientific research and training in the field of securities and securities market. The Securities Science Research and Training Center is located at No. 2, Phan Chu Trinh Street, Hoan Kiem District, Hanoi (temporarily) and has its branch in Ho Chi Minh City.</p> <p>- The Vietnam Securities Review: being a profit-seeking and service-providing unit, having its own legal status, with the duties of assisting the SSC to exercise its regulatory powers in communication and propaganda in the field of securities and securities market. The Vietnam Securities Review is located at No. 164, Tran Quang Khai Street, Hoan Kiem District, Hanoi and has its Representative Office in Ho Chi Minh City.</p> <p>c. The SSC's leadership includes:</p> <p>- Its Chairman and Vice-Chairmen, who are appointed by the Prime Minister;</p> <p>- Ex-officio commissioners, who are the Vice-Ministers of Planning and Investment, Finance, Justice, and SBV; these commissioners are assigned by the Prime Minister.</p> <p>In this period, the posts of Chairman and Vice-Chairmen did not change, except in January 2004, Mr. Nguyen Doan Hung, a Director from the SBV, was appointed by the Prime Minister to be Vice-Chairman of the SSC. As for the commissioners, Mr. Nguyen The Lien, Vice-Minister of Justice, replaced Mr. Ha Hung Cuong, who moved to another job; and Mr. Phung Khac Ke, Deputy Governor of the SBV, replaced Mrs. Duong Thu Huong, who became Vice-Chairperson of the Economic and Budget Committee of the National Assembly-Parliament).</p> <p>Regarding human resources, the SSC by then boasted of a 337-strong staff, of which 14 had Doctor's Degrees, 54 Master's Degrees, 202 Bachelor's Degrees, and 47 were doing their post-graduate courses both domestically and abroad. It is this personnel which played the vital role in implementing the SSC's assignments, helping ensure the safety and efficiency of the securities market over the past 4 years.</p>	
28 November 2003	"Decree on Securities and Securities Market," which limited the country's securities market regulation to the two STCs, namely, the state-run securities exchanges.	Decree No. 144/2003/ND-CP

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Table 9.1 continuation

Month/Year	Event	Remarks
19 February 2004	<p>The transfer of the SSC into the Ministry of Finance. “Decree on Joining the State Securities Commission into the Ministry of Finance”</p> <p>To make collaboration among ministries and industries more efficient in speeding up the development of the securities market, the Government promulgated a Decree, according to which the SSC would be moved into and under the management of the Ministry of Finance.</p> <p>The process of transfer was completed on 16 March 2004 with the participation of and witnessed by leaders of the Ministry of Finance, the SSC, and relevant ministries.</p>	Decree No. 66/2004/ND-CP
17 June 2004	Decision by the Minister of Finance On the promulgation of Regulation on the organization and operation of securities companies	Decision No.55/2004/QD-BTC
17 June 2004	Circular Providing Guidance on Information Disclosure on the Securities Market	57/2004/TT-BTC
17 June 2004	Circular Providing Guidance on Securities Membership and Trading	58/2004/TT-BTC
8 June 2004	Circular Providing Guidance on the Listing of Stocks and Bonds on the Centralized Securities Markets	59/2004/TT-BTC
8 June 2004	Circular Guiding the Issuance of Stocks to the Public	60/2004/TT-BTC
3 September 2004	Decision of the Minister of Finance On the promulgation of the Regulation on the organization and operation of securities investment funds and fund management companies	Decision No.73/2004/QD-BTC
7 September 2004	Government’s Decree on penalties of administrative violations in the field of securities and securities markets	Decree No.161/2004/ND-CP
7 September 2004	<p>The Prime Minister’s Decision on the Functions, Duties, Powers and Organizational Structure of the State Securities Commission</p> <p>The reorganization of the SSC as an organization under the Ministry of Finance.</p> <p>Under the regulation of the above Decree and the Prime Minister’s Decision No. 161/2004/QD-TTg dated 7 September 2004, the SSC’s functions and duties had to undergo some adjustments and revisions.</p> <p>As a result, the SSC would be an organization under the Ministry of Finance, exercising the assigned tasks and duties of the regulator and service-provider in the field of securities and securities markets. Following is the SSCs organizational chart in accordance with the Decision No. 161/2004/QD-TTg by the Prime Minister.</p> <p>The revised tasks and duties of the SSC are as follows:</p> <p>2.3.1 Designing and submitting to the Minister of Finance legal documents of securities and securities market, the strategies, matrixes, long-term, 5-year, and annual plans on securities and securities market;</p> <p>2.3.2 Proposing the Minister of Finance to set up, suspend the operation of, or disperse the STCs, the Stock Exchange, the Securities Central Depository, and other organizations related to securities activities and securities trading in his authorization, or proposing the Minister of Finance to consider and submit to the Prime Minister the plans to set up, suspend the operation of, or disperse the above-mentioned entities;</p> <p>2.3.3 Implementing the legal documents, strategies, matrixes, and plans on securities and securities market after their ratification;</p> <p>2.3.4 Setting specialized standards, procedures and processes, and economic and technical specifications to be applied in organizations and units under its management, as stipulated by applicable laws and decided by the Minister of Finance;</p> <p>2.3.5 Issuing, extending, suspending or revoking certificates of registration of securities issuance, registration of securities trading, certificates of securities listing, certificates of securities business, and certificates of securities practices and services, as stipulated by applicable laws;</p> <p>2.3.6 Organizing and managing the STCs, the Stock Exchange, other regulated securities markets, and the Center for Securities Depository, Registration, Clearing and Settlement;</p> <p>2.3.7 Supervising the compliance to regulations of securities and securities market by organizations offering their securities to the public, organizations having their securities listed, securities business organizations, and other ancillary organizations, as stipulated by applicable laws;</p> <p>2.3.8 Implementing the inspection, examination and supervision of organizations and individuals participating in the securities market, and applying sanctions for violations of regulations of securities and securities market, as stipulated by applicable laws;</p>	PM’s Decision No.161/2004/QD-TTg

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>2.3.9 Giving guidelines and creating favorable conditions for securities associations to abide by their objectives, missions and charters; supervising the compliance of regulations of securities and securities market of these associations; applying sanctions or proposing authorized agencies to apply sanctions for violations of laws by these associations, as stipulated by applicable laws and assigned by the Minister of Finance;</p> <p>2.3.10 Complying with the reporting regime on securities and securities market, as stipulated by applicable laws and assigned by the Minister of Finance;</p> <p>2.3.11 Carrying out international cooperation programs in the fields of securities and securities market, as stipulated by applicable laws and assigned by the Minister of Finance;</p> <p>2.3.12 Implementing the SSC's administrative reforms in accordance with the objectives and contents as approved by the Minister of Finance;</p> <p>2.3.13 Carrying out forecasting and analytical work, communication, propaganda, dissemination, and training in the fields of securities and securities market for institutions and individuals participating in the securities market;</p> <p>2.3.14 Organizing scientific research works on securities and securities market;</p> <p>2.3.15 Introducing, managing and applying information technologies; modernizing the management of securities and securities market as stipulated by applicable laws and assigned by the Minister of Finance;</p> <p>2.3.16 Managing the organizational apparatus and human resources; organizing training and retraining programs; and applying appropriate policies for the SSCs human resources as stipulated by applicable laws and assigned by the Minister of Finance;</p> <p>2.3.17 Managing its budget and assets as stipulated by applicable laws and assigned by the Minister of Finance;</p> <p>2.3.18 Accomplishing other duties assigned by the Minister of Finance.</p> <p>Regarding the organizational structure, there was change in the status of all of SSC's departments and divisions; and the Division of Information Technology was changed into the Center for Information Technology and Statistics. Subsequently, the Minister of Finance signed his Decision No. 3595/QD-BTC of 4 November 2004 on the duties, powers and organizational structure of the SSC's departments. Up to this moment, the SSC's leadership would not include the ex-officio commissioners as mentioned above, and Mr. Tran Xuan Ha became Acting Chairman of the SSC to replace Dr. Nguyen Duc Quang, who ceased his post pending retirement.</p> <p>The transfer of the SSC into the Ministry of Finance appeared to be an appropriate step in the process of developing the securities markets in Viet Nam. With the role and functions of a macro-financial policymaker and the regulator of the financial markets, the Ministry of Finance would be more responsive and efficient in working out and issuing regulatory policies.</p> <p>Consequently, a large amount of quality products and instruments would be supplied to the securities markets, which proved to be the key issue of the development of the securities markets in Viet Nam at present. At the same time, other financial policies initiated by the Ministry of Finance (such as those of bond issuance, fees and charges, etc.) would help strengthen the uniformity and consistency of and ensure the safety for the development of the securities and other financial markets.</p> <p>Besides, the change in the status of the SSC in particular and other governmental agencies in general is well in line with the Government's Masterplan of administrative reforms for the period of 2001–2010, with the goal of reforming the administrative apparatus and the content of "readjusting the functions and duties of the Government, ministries and ministerial-level agencies, governmental agencies and local governments of all levels in consistence with the role of the State in the new situation."</p> <p>3. Duties, Powers and Organizational Structure of the Departments, Inspection Department and Office of the SSC</p> <p>As mentioned above, the Minister of Finance signed Decision No. 3595/QD-BTC of 4 November 2004 on the duties, powers and organizational structure of the specialized departments, Office and Inspection Department of the SSC, wherein it is generally stipulated that these units are in the apparatus to assist SSC's Chairman in implementing all the duties and powers as specified in the Prime Ministers Decision No. 161, as well as other duties and powers assigned by the Minister of Finance. Specifically, the duties and powers of each unit are as follows:</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>3.1 The Securities Market Development Department:</p> <p>3.1.1 Working by itself or collaborating with relevant departments to draft and then organize the implementation of legal documents and their guidance on securities trading on organized securities markets;</p> <p>3.1.2 Working by itself or collaborating with relevant departments to organize the implementation of strategies, masterplans, long-term, 5-year and annual plans of development of securities markets, and projects of organization and operation of organized securities markets;</p> <p>3.1.3 Taking part in drafting policies and regimes of taxes, fees, charges, and foreign exchange, and other policies and solutions for securities markets, as assigned by the SSCs Chairman;</p> <p>3.1.4 Collaborating with other departments of the SSC to organize the implementation, supervision and examination of the enforcement of legal regulations on the organization and management of securities trading on the STCs and the Stock Exchanges;</p> <p>3.1.5 Proposing solutions for the development of securities markets, ensuring the publicity, equitability and legality of the market operations;</p> <p>3.1.6 Collaborating with other departments of the SSC to set up the securities market information system for mapping out polices of securities market development and management; preparing periodical and irregular reports on the operations of the securities markets at the disposal of the SSC Chairman and request of the Minister of Finance;</p> <p>3.1.7 Making the SSC's annual reports;</p> <p>3.1.8 Accomplishing other duties assigned by the SSC Chairman.</p> <p>3.2 The Securities Issuance Management Department:</p> <p>3.2.1 Working by itself or collaborating with relevant departments to draft and then organize the implementation of legal documents and their guidance on issuance and listing of stocks and bonds;</p> <p>3.2.2 Working by itself or collaborating with relevant departments to organize the implementation of strategies, long-term and annual plans of development of securities for the markets;</p> <p>3.2.3 Building up and providing guidance for the implementation of specialized standards, procedures, and processes related to issuance and listing of stocks and bonds;</p> <p>3.2.4 Working by itself or collaborating with relevant departments of the SSC to organize the supervision and examination of the compliance of legal documents on the public issuance of stocks and bonds by issuing organizations, and the listing of stocks and bonds by listed organizations;</p> <p>3.2.5 Collaborating with relevant departments of the SSC to examine and supervise organizations having their stocks and bonds issued and listed in their maintenance of listing requirements, their disclosure of information and corporate governance;</p> <p>3.2.6 Receiving and verifying application statements for issuing stocks and bonds, and applications for listing of stocks and bonds; submitting documents to the SSC Chairman for granting, suspension, or revocation of certificates of issuance registration of organizations applying for securities issuance; submitting documents to the SSC Chairman for granting or revocation of listing licenses of organizations having their stocks and bonds listed; keeping track, gathering information, and providing analysis of the operations of issuing and listed organizations;</p> <p>3.2.7 Receiving and verifying applications of auditing organizations having satisfied all requirements for auditing securities issuing, listed and business organizations; submitting these documents to the SSC Chairman for approval;</p> <p>3.2.8 Collaborating with other departments of the SSC and relevant departments and organizations of the Ministry of Finance to work out policies and solutions for development and encouragement of organizations having their securities issued to the public and listed on the STCs or the Stock Exchange;</p> <p>3.2.9 Accomplishing other duties assigned by the SSC Chairman.</p> <p>3.3 The Securities Business Management Department:</p> <p>3.3.1 Working by itself to draft and then organize the implementation of legal documents and their guidance on the organization and operation of securities business and service-providing organizations;</p> <p>3.3.2 Working by itself to organize the implementation of policies, strategies, long-term and annual plans and projects on the organization and operation of securities business and service-providing organizations;</p> <p>3.3.3 Working by itself or collaborating with relevant departments of the SSC to organize the supervision and examination of the compliance of legal documents and other regulations on securities business and service providing; the public issuance of stocks and bonds by issuing organizations and the listing of stocks and bonds by listed organizations; keeping track, gathering information and providing analysis of the operations of securities business and service-providing organizations;</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>3.3.4 Verifying application statements and submitting those documents to the SSC Chairman for granting or revocation of licenses of operation of securities business and service-providing organizations, licenses of establishment of investment funds and licenses of issuance of fund certificates, certificates of securities business practice of securities business and service-providing organizations and their practitioners;</p> <p>3.3.5 Verifying application statements and submitting those documents to the SSC Chairman for granting or revocation of licenses of establishment of representative offices of foreign securities business and service-providing organizations in Viet Nam; supervising the operations of these representative offices in compliance with applicable laws and regulations;</p> <p>3.3.6 Collaborating with other relevant departments of the SSC to organize examinations for re-granting of certificates of securities business practice;</p> <p>3.3.7 Collaborating with other relevant departments of the SSC to select auditing companies to provide auditing services to securities business and service-providing organizations;</p> <p>3.3.8 Providing consultancy to the SSC Chairman in giving guidance and assistance to securities associations in achieving their goals and mottos, and complying with their Charters; supervising the compliance of legal regulations by these associations;</p> <p>3.3.9 Collaborating with domestic and foreign organizations in promoting the development of securities business and service-providing organizations in accordance with directives by the Ministry of Finance and decisions by the SSC Chairman;</p> <p>3.3.10 Accomplishing other duties assigned by the SSC Chairman.</p> <p>3.4 The International Cooperation Department:</p> <p>3.4.1. Working by itself to build up and then organize the implementation of the SSCs strategies, long-term and annual plans, and projects of international cooperation;</p> <p>3.4.2. Collaborating with other departments of the SSC and organizations of the Ministry of Finance to participate in the latter's international cooperation programs in the field of securities and securities markets as assigned by the SSC Chairman and the Minister of Finances directives;</p> <p>3.4.3. Collaborating with other departments of the SSC to build up the regulation on the SSC's international operations, providing guidance and examining the implementation of this regulation as stipulated by the Minister of Finance;</p> <p>3.4.4. Collaborating with international organizations, foreign securities regulators, and other departments of the SSC to implement programs and technical assistance projects as assigned and authorized by the Minister of Finance; making synthesis and reports on the implementation of these programs and projects;</p> <p>3.4.5. Preparing the contents and completing procedures for the SSC to directly partake or collaborate with other organizations of the Ministry of Finance to discuss and sign agreements, or memoranda of understanding, of cooperation with foreign partners in the field of securities and securities markets; to discuss and sign documents of accession to international organizations of securities and securities markets as stipulated by the Minister of Finance;</p> <p>3.4.6. Collaborating with other departments of the SSC to prepare the contents, programs, plans, budget and international procedures for the SSCs delegations to take part in international workshops, conferences and study tours, and the programs for international delegations to pay working visits to the SSC;</p> <p>3.4.7. Collaborating with other departments of the SSC to organize and manage international workshops and conferences in accordance with approved plans; making reports of their results in accordance with the Minister of Finances directives;</p> <p>3.4.8. Conducting the interpretation work as specified in the SSCs regulation on international operations; carrying out the study and synthesis of news of worlds securities markets and regulation of the securities industry at the service of the SSC's leadership in accordance with the Minister of Finances directives;</p> <p>3.4.9. Accomplishing other duties assigned by the SSC Chairman.</p> <p>3.5 The Human Resources Management Department:</p> <p>3.5.1 Working out the strategy of the organizational structure and development of the human resources in the securities industry;</p> <p>3.5.2 Studying and proposing functions, duties, powers and organizational structure of the SSC and its departments;</p> <p>3.5.3 Managing and distributing the assigned amount of the SSCs salaried staff; conducting the work of recruitment, appointment, an increase of the staffs levels and their salary as authorized by the Minister of Finance;</p> <p>3.5.4 Exercising the work of staff planning, rotation, appointment, re-appointment, dismissal, punishment, transfer, retirement, resignation, and implementing other policies and regimes towards officers, employees and contractees under the management of the SSC as authorized by the Minister of Finance;</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>3.5.5 Managing the personal files of officers and employees of the SSC as authorized by the Minister of Finance, providing guidance to other organizations of the SSC to keep the personal files and archives of their employees and contractees as stipulated by applicable laws;</p> <p>3.5.6 Working out programs, plans and projects of staff training for the SSC's officers, and collaborating with other relevant departments to implement those programs, plans and projects; managing, keeping track of and urging the compliance of regulations on sending the SSC's staff to domestic and foreign study courses with domestic or foreign financial sources;</p> <p>3.5.7 Implementing the work of internal political security as assigned by the Minister of Finance;</p> <p>3.5.8 Working by itself or collaborating with relevant parties to handle proposals, appellations, or denunciations related to human resources management as stipulated by applicable laws;</p> <p>3.5.9 Accomplishing other duties assigned by the SSC Chairman.</p> <p>3.6 The Planning - Finance Department: Exercising the Government's regulations and the Minister of Finance's authorization on financial management, expenditure management, budget for capital construction, and the assets of all the SSC's organizations:</p> <p>3.6.1 Working out annual budget and plans of utilizing the centralized financial sources of the SSC and its departments;</p> <p>3.6.2 Submitting to the SSC Chairman the plans of expenditure allocation and the budget for capital construction for the SSC's departments in accordance with its approved budget and projects;</p> <p>3.6.3 Making reports on the budget revenues and expenditures as stipulated by applicable laws and regulations; reporting to the SSC Chairman and submitting to the Ministry of Finance for approval, and making public all annual reports on revenues and expenditures of all the SSC's departments;</p> <p>3.6.4 Providing guidance and examination on the compliance of the financial and accounting regimes and other Government and Ministry of Finance regulations on purchase, management and utilization of public assets in the SSC's departments;</p> <p>3.6.5 Participating in the drafting, amendment and revision of legal documents on finance and accounting applied in the field of securities and securities markets;</p> <p>3.6.6 Managing the financial sources for capital construction in accordance with applicable laws and regulations and the Ministry of Finance's guidance;</p> <p>3.6.7 Collaborating with other departments and organizations to organize retraining courses for the SSC's staff working in the field of finance, accounting, and capital construction investment;</p> <p>3.6.8 Accomplishing other duties assigned by the SSC Chairman.</p> <p>3.7 The Legal Affairs Department:</p> <p>3.7.1 Working by itself or collaborating with other departments to draft legal documents in the field of securities and securities markets; requesting central agencies and local governments to contribute their opinions towards legal documents on securities and securities markets drafted by the SSC;</p> <p>3.7.2 Working out the SSC's annual and long-term programs and plans of drafting legal documents on securities and securities markets, and organizing the implementation of those programs and plans;</p> <p>3.7.3 Contributing its opinions and verification of the legality of legal documents and their guidance drafted by the SSC's departments prior to submission of these documents to the Ministry of Finance;</p> <p>3.7.4 Collaborating with other departments of the SSC to prepare files of draft legal documents on securities and securities markets for the SSC Chairman to request the Ministry of Finance's departments and organizations for verification and submission to the Minister of Finance;</p> <p>3.7.5 Providing consultancy to the SSC Chairman in contributing his opinions to legal documents drafted by the Ministry of Finance's departments and organizations and other central agencies;</p> <p>3.7.6 Collaborating with other departments of the SSC to provide proposals to the SSC Chairman in order to submit those to the Minister of Finance so that the latter shall suggest other to competent authorities to suspend the implementation of, or to amend or revise the legal documents promulgated by these competent authorities which have provisions contradictory, overlapping or inconsistent with the legal documents on securities and securities markets;</p> <p>3.7.7 Going through and systematizing all legal documents on securities and securities markets, and proposing solutions to the discovered problems; collaborating with other departments to publish legal documents on securities and securities markets;</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>3.7.8 Collaborating with other departments and organizations of the SSC and those of the Ministry of Finance to organize the publication, dissemination and education of legal documents on securities and securities markets; supervising, examining and urging the compliance of legal documents on securities and securities markets; participating in proposing settlement of violations in regulations on securities and securities markets;</p> <p>3.7.9 Providing guidance and response to organizations' and individuals' inquiries related to securities and securities markets upon request and at the disposal of the SSC Chairman;</p> <p>3.7.10 Accomplishing other duties assigned by the SSCs Chairman.</p> <p>3.8 The Office of the SSC:</p> <p>3.8.1 Working out the SSC's periodical programs and plans of actions; making announcement and keeping track of these programs and plans, urging other departments and assisting the SSC Chairman coordinate the operations of the SSC's departments in implementing those programs and plans after their approval;</p> <p>3.8.2 Preparing programs, contents, and materials for interim and final meetings and conferences presided over by the SSC's leadership, and making public the results of those meetings and conferences; collaborating with other departments of the SSC to organize conferences and workshops;</p> <p>3.8.3 Working by itself or collaborating with other departments of the SSC to set up the SSC's Working Regulation, urging and supervising the compliance of this Regulation;</p> <p>3.8.4 Conducting the work of propaganda and dissemination of the SSC's official information to the mass media; collaborating with other departments of the SSC to publish annual reports and legal documents and their guidance on securities and securities markets;</p> <p>3.8.5 Organizing, managing, and providing guidance on the administrative, archive, health care and library work of the SSC;</p> <p>3.8.6 Managing the infrastructure and ensuring all the means and working conditions of the SSC; conducting self-protection and security work for the office of the SSC;</p> <p>3.8.7 Exercising the duties of the third-level budget-receiving organization in compliance with the regulations on States budget management;</p> <p>3.8.8 Acting as the owner of infrastructure and technical construction projects of the SSC in accordance with the Minister of Finances directives and the SSC Chairman's decisions;</p> <p>3.8.9 Acting as the standing member of the SSC Council for Emulation and Rewards;</p> <p>3.8.10 Accomplishing other duties assigned by the SSCs Chairman.</p> <p>3.9 The Inspection Department:</p> <p>3.9.1 Exercising the duties and powers of the Securities Inspection as stipulated by applicable laws and regulations, and as authorized by the Minister of Finance and the SSCs Chairman;</p> <p>3.9.2 Accomplishing other duties assigned by the SSCs Chairman.</p> <p>4. Duties and Powers of the SSC's Profit-Making and Service-Providing Units</p> <p>4.1 The Hanoi Securities Trading Center:</p> <p>The Hanoi Securities Trading Center (HASTC) has its duties and powers in compliance with Article 61, 62 and 63 of the Governments Decree No. 144/2003/ND-CP dated 28 November 2003 on securities and securities markets and the SSC Chairman's Decision No. 329/QD-UBCK the dated 17 December 2003 as follows:</p> <p>4.1.1 Organizing, managing and supervising the operations on the HASTC;</p> <p>4.1.2 Managing and operating the trading system of the HASTC;</p> <p>4.1.3 Managing and supervising the listing of securities;</p> <p>4.1.4 Managing and supervising the operations of the HASTC's members and other ancillary organizations as stipulated by applicable laws and regulations;</p> <p>4.1.5 Organizing, managing and conducting the disclosure of market information; providing information services as stipulated by applicable laws and regulations;</p> <p>4.1.6 Providing securities registration, depository, clearing and settlement services as stipulated by the SSC Chairman's directives until an independent Securities Depository Center is established;</p> <p>4.1.7 Promulgating, providing guidance to, examining and organizing the implementation of specialized procedures and processes applied on the HASTC;</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>4.1.8 Discovering and proposing forms of handling violations of regulations on securities and securities markets as stipulated by applicable laws and regulations;</p> <p>4.1.9 Collaborating with other specialized departments of the SSC to submit to the SSC Chairman's suggestions and solutions to stabilize and develop market activities;</p> <p>4.1.10 Collecting fees as stipulated by applicable laws and regulations;</p> <p>4.1.11 Establishing and managing the Compensation Supporting Fund as stipulated by applicable laws and regulations;</p> <p>4.1.12 Acting as an intermediary upon request to reconcile among parties in disputes related to listed securities;</p> <p>4.1.13 Exercising the reporting, statistical, accounting and auditing regimes, and managing the HASTC's assets as stipulated by applicable laws and regulations;</p> <p>4.1.14 Conducting international cooperation in the field of securities and securities markets as stipulated by the SSC Chairman's directives;</p> <p>4.1.15 Accomplishing other duties as assigned by the SSC's Chairman.</p> <p>4.2 The Ho Chi Minh City Securities Trading Center: The Ho Chi Minh City Securities Trading Center (HOSTC) has its duties and powers in compliance with Article 61, 62 and 63 of Decree No. 144/2003/ND-CP dated 28 November 2003 on securities and securities markets and the Decision No. 328/QD-UBCK by the SSCs Chairman dated 17 December 2003 as follows:</p> <p>4.2.1 Organizing, managing and supervising the operations of the HOSTC;</p> <p>4.2.2 Managing and operating the trading system of the HOSTC;</p> <p>4.2.3 Managing and supervising the listing of securities;</p> <p>4.2.4 Managing and supervising the operations of the HOSTC's members and other ancillary organizations as stipulated by applicable laws and regulations;</p> <p>4.2.5 Organizing, managing and conducting the disclosure of market information; providing information services as stipulated by applicable laws and regulations;</p> <p>4.2.6 Providing securities registration, depository, clearing and settlement services as stipulated by the SSC Chairman's directives until an independent Securities Depository Center is established;</p> <p>4.2.7 Promulgating, providing guidance to, examining and organizing the implementation of specialized procedures and processes applied on the HASTC;</p> <p>4.2.8 Discovering and proposing forms of handling violations of regulations on securities and securities markets as stipulated by applicable laws and regulations;</p> <p>4.2.9 Collaborating with other specialized departments of the SSC to submit to the SSC Chairman suggestions and solutions to stabilize and develop market activities;</p> <p>4.2.10 Collecting fees as stipulated by applicable laws and regulations;</p> <p>4.2.11 Establishing and managing the Compensation Supporting Fund as stipulated by applicable laws and regulations;</p> <p>4.2.12 Acting as an intermediary upon request to reconcile among parties in disputes related to listed securities;</p> <p>4.2.13 Exercising the reporting, statistical, accounting and auditing regimes, and managing the HOSTC's assets as stipulated by applicable laws and regulations;</p> <p>4.2.14 Conducting the international cooperation in the field of securities and securities markets as stipulated by the SSC Chairman's directives;</p> <p>4.2.15 Accomplishing other duties as assigned by the SSC Chairman.</p> <p>4.3 The Securities Science Research and Training Center: The Securities Science Research and Training Center (SSRTC) has its duties and powers in compliance with the Decision No. 330/QD-UBCK by the SSC Chairman dated 17 December 2003 as follows:</p> <p>4.3.1 Managing the SSC's scientific research works in the field of securities and securities markets;</p> <p>4.3.2 Working out the SSC's long-term and annual programs and plans of scientific research, submitting these to the SSC Chairman and organizing the implementation of these after their ratification;</p> <p>4.3.3 Organizing scientific workshops and providing information and scientific data on securities and securities markets; collaborating with departments of the SSC and other research institutions to implement and apply scientific research results and achievements in operations in the securities industry;</p> <p>4.3.4 Providing the SSCs staff with specialized training courses, training courses conducive to granting securities managers and practitioners with certificates of securities practice, in accordance with the approved training programs conducive to granting of certificates of securities practice, and training course for other market participants;</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>4.3.5 Collaborating with other relevant departments and units of the SSC to provide information and disseminate knowledge of securities and securities markets to other organizations and the public;</p> <p>4.3.6 Compiling, translating and publishing materials, textbooks and other publications for research, study and training in the field of securities and securities markets;</p> <p>4.3.7 Cooperating with domestic and foreign scientific and training institutions for research, study and update of knowledge of securities and securities markets in compliance with applicable laws and regulations and the SSCs Chairman's directives;</p> <p>4.3.8 Accomplishing other duties as assigned by the SSC's Chairman.</p> <p>4.4 The Center of Securities Information and Statistics: The Center of Securities Information and Statistics (CSIS) has its duties and powers in compliance with the Decision No. 22/QD-UBCK by the SSCs Chairman dated 3 February 2004 as follows:</p> <p>4.4.1 Drafting and submitting to the SSC Chairman the long-term and annual programs on the development of information technology in the field of securities and securities markets, and organizing the implementation of these programs after their approval;</p> <p>4.4.2 Drafting and submitting the SSC Chairman for promulgation of standards, procedures and economic-technical specifications applicable in the SSC's organizations and units, and providing guidance for the implementation of these standards, procedures and economic-technical specifications;</p> <p>4.4.3 Collaborating with relevant organizations to work out and implement programs and projects of application of information technology in operations in the field of securities and securities markets;</p> <p>4.4.4 Receiving and transferring technologies; managing and operating information technology systems given to the SSC by the Government's projects or by domestic or foreign organizations in accordance with the SSC Chairman's decisions;</p> <p>4.4.5 Building, operating, developing, maintaining and managing the SSC's information systems and information technology infrastructure; managing and operating the SSC's internal information network;</p> <p>4.4.6 Assisting the SSC's Steering Board of the Project of Computerization of Administrative Management in implementing this Project in the SSC;</p> <p>4.4.7 Building, managing and operating the SSC Database Center; gathering, retrieving, processing and exploiting data in the field of securities and securities markets; ensuring security and confidentiality of the SSC's information system and electronic database;</p> <p>4.4.8 Cooperating with other relevant departments and units of the SSC to organize scientific research and provide training courses of information technology to the SSC staff and other organizations and individuals taking part in the securities industry; organizing workshops and conferences of application of information technology in the securities industry;</p> <p>4.4.9 Cooperating with domestic and foreign organizations involved in the application of information technology in the field of securities and securities markets in compliance with applicable laws and regulations and the SSC Chairman's directives;</p> <p>4.4.10 Providing advisory and technical services in information technology in compliance with applicable laws and regulations;</p> <p>4.4.11 Accomplishing other duties as assigned by the SSC Chairman.</p> <p>4.5 The Securities Review: The Vietnam Securities Review has its duties and powers in compliance with the Decision No. 331/QD-UBCK by the SSC Chairman dated 17 December 2003 as follows:</p> <p>4.5.1 Working out the long-term and annual programs and plans of information dissemination and propaganda in the field of securities and securities markets, submitting these programs and plans to the SSC Chairman for ratification; and organizing the implementation of these;</p> <p>4.5.2 Editing, publishing and distributing the <i>Securities Review</i> in Vietnamese and foreign languages in compliance with the Press Law, the SSC Chairman's directives, and the License of Press Operations granted by the Ministry of Culture and Information;</p> <p>4.5.3 Collaborating with other departments and units of the SSC and other channels to provide information and propaganda of the policies mapped out by the Government, and other regulations and operations related to securities and securities markets;</p> <p>4.5.4 Providing synthesis and press briefing on the contents related to securities and securities markets so as to serve the leadership of the SSC in managing and regulating the securities markets;</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>4.5.5 Organizing the implementation of information and propaganda activities in the following forms:</p> <ul style="list-style-type: none"> a. Building up the database for the work of information dissemination, research, and management of securities and securities markets; b. Printing publications and reports on securities and securities markets in compliance with applicable laws and regulations; c. Collaborating with other departments and units of the SSC to organize workshops and conferences of securities and securities markets; d. Collaborating with other departments and units of the SSC to provide specialized training and retraining in the field of press and journalism to the staff of the <i>Securities Review</i> and other interested participants; e. Cooperating and exchanging with other domestic and foreign organizations and agencies to conduct information dissemination and propaganda of securities and securities markets in compliance with applicable laws and regulations and the SSC Chairman's directives; f. Providing information and press services in compliance with applicable laws and regulations; <p>4.5.6 Accomplishing other duties as assigned by the SSC's Chairman.</p> <p>5. Performance of the Securities Market up to December 2004:</p> <p>After more than 4 years of operation, the securities market of Viet Nam has gradually stepped into the path of stability and growth. On 2 July 2000, when the HOSTC was officially inaugurated, it boasted of 24 listed companies with their total charter capital of D1,240 billion, 140 kinds of government bonds, 2 commercial bonds of the Bank for Investment and Development of Vietnam, and 1 municipal bond, with their total listed value of D17,300 billion. Until December 2004, the SSC has granted licenses of securities business operation to 13 securities houses, one fund management company, and five depository banks. In 2004, the first securities fund started its operations by mobilizing capital and went listed on the HOSTC. Up to June 2004, 820 trading sessions were successfully effected on the HOSTC, with the total trading value averagely reaching over D17 billion per session. On 30 June 2004, Viet Nam Index mounted to 249.7 points, with an increase of 80.5 basis points (or 47.6%) as compared to early 2004. The total market capitalization at this point accounted for 3.4% of gross domestic product, or more than double compared to 2003.</p> <p>On 28 November 2003, the government promulgated Decree No. 144/2003/ND-CP on securities and securities markets (hereinafter referred to as Decree No. 144) to replace Decree No. 48/1998/ND-CP. This legal document consisted of new regulations to create more favorable conditions for the listing of companies, the operation and management of the markets, and for better protection of legitimate rights and interests of investors. With a better-defined viewpoint of encouraging investment and capital mobilization, Decree No. 144 boasted of considerable steps forward by introducing more flexible standards and listing requirements, thus allowing enterprises to get easier access to the centralized securities markets for their capital mobilization. The scope of regulation of Decree No. 144 was more open in terms of public issuance of securities. This was a very significant change to enhance the institutional effectiveness and minimize risks exposed to investors. Moreover, Decree No. 144 also permitted diversification of types of securities funds so as to encourage more from individual and institutional investors to get involved in the securities industry.</p> <p>Though at an early stage of development, Viet Nam's securities market has gradually approached international standards in its path to growth and attracted an increasingly large number of investors, both domestic and foreign. Auditing and information disclosure are two compulsory requirements for all issuing and listed organizations. International practices in corporate governance have been applied to all market participants to enhance the quality of listed securities. Presently, all listed companies have to comply with the Model Charter issued in November 2002.</p> <p>Two (2) years after the operation of the market, having recognized the importance of foreign investors' participation in the securities market, Viet Nam's Prime Minister decided to extend the scope of foreign investors' ownership share of listed companies to 30% from just 20%, and not to limit their ownership of bonds. The government also allowed foreign securities business organizations to contribute their capital to joint ventures with local partners, with a maximum capital contribution of 49%. Other foreign exchange policies were adjusted to facilitate the transfer of earnings from securities investments abroad. Apart from that, both domestic and foreign individual investors were exempted from personal income tax when they invested in securities. Last, but not the least, the government invalidated the tax on repatriation of profits. With a view to providing a mid- and long-term vision for the securities market development, on 5 August 2003, the Prime Minister ratified and promulgated the Strategy for Development of the Securities Market up to 2010. The determination of a strategic plan of actions of each year for the SSC was of first-rank</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>importance in building and developing the securities market in Viet Nam. On the basis of this strategy, the Minister of Finance held that the HOSTC should follow the model of a centralized securities market to be developed to a full-fledged stock exchange and linked to other markets in the region, while the Hanoi Securities Trading Center (HASTC) would be a market for trading of stocks of small- and medium-size enterprises, to become an OTC market. Parallel with preparation of material and technical facilities for the STCs, at the moment, there have been other pieces of work which need a lot of effort to complete, such as the development of financial intermediaries, expansion of investor base, and finalization of the draft law on securities and securities markets which contain a more comprehensive scope and a wider range of issues.</p> <p>The facts and figures presented above are evidence of a sustainable and encouraging growth of the securities market, though with a modest level, as this is quite a new and sophisticated financial institution for Vietnamese regulators and investors, in particular, and for Vietnamese economy in general; it is a transitional period on its right track to a market-oriented economy. However, this path is without its challenges, and paved also with a lot of limitations and hindrances on many aspects, such as lack of experience in regulation and supervision of the market, incomplete and non-uniform legal framework, lack of quality goods for the market, and so on. The following are some of these challenges in greater detail:</p> <p>Firstly, there are limitations in the legal framework and institutional capacity in policy making. As with the legal framework, the biggest hindrance so far has been that the securities market is operating not under the regulation of a full and complete securities law. In Viet Nam, the field of securities and securities markets is still regulated by other relevant legislations, such as the Enterprise Law, Law of Credit Organizations, Law of Insurance Business, Bankruptcy Law, and others. Worth considering is that the legal status of Decree No. 144 is lower than the said legislations and that the legal environment is by no means uniform; therefore, mismatches and conflicts among these legal documents and those of securities and securities markets are inevitable. It is well known that a stable and consistent legal environment is the first and foremost important factor for ensure investors' confidence. Domestic and foreign investors shall invest their money in the securities market only when they find that their investment money and expectation of profits are both protected by a transparent and equitable legal framework. Thus, the Securities Law would help ensure part of their confidence.</p> <p>Besides, the capacity of policy making and law enforcement should also be paid due attention. The SSC and other relevant authorities have not been strongly equipped to exercise their regulatory and supervisory powers, as well as to enforce the compliance of applicable legal documents and regulations on securities and securities markets. This is partly because the regulatory staff does not have sufficient experience and capabilities to work out and implement appropriate policies for the development of the market, and to attract and protect of investors and their interests.</p> <p>Secondly, there are limitations in terms of market mechanisms.</p> <p>Regarding the mobilization of investment capital, the limitations in terms of market mechanisms have imposed a lot of considerable hindrances not only to ensure the safety of capital flows, but also of market sovereignty and confidence of both domestic and foreign investors. As for a newly established market, the lack of uniform market mechanisms can be understood now as a matter of course. But the absence of self-regulatory organizations, credit rating agencies, an independent center for securities registration, depository, clearing and settlement, professional securities houses, and, above all that, the low legal status of the securities regulator are all the weaknesses which make investors think that investment in the securities markets means exposure to a lot of risks. Apart from that, these weaknesses shall pose many kinds of difficulties to investors in making their investment decisions and alleviating those risks.</p> <p>Thirdly, there are limitations in terms of supply of securities. After more than 4 years since its inauguration, Viet Nam's securities market has been faced with a very limited supply of securities, not to count the low quality of these products. A market with 24 listed stocks of enterprises of low capital size cannot reflect the whole picture of Viet Nam's economy for investors to judge its health as well as its prospects. Similarly, the total number of listed stocks is low that investors cannot have a wide choice for their investment to substitute traditional bank deposits. Presently, listed stocks are not of the biggest companies to convince domestic and foreign investors that their money could bring them profits from these stocks in the short term.</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>Fourthly, there are limitations in investor base. Due to a number of economic and social factors, up to this moment, the securities market of Viet Nam does not have a firm and stable investor base compared with other developed markets. The majority of investors now on the market are small investors who lack both experience and knowledge on securities investment. This is caused by two factors: first, the securities market itself is still in its early stage, so it cannot be developed in days or weeks. Besides, there have not been strong and key institutions which function as market-makers. Secondly, the system of legal documents of the securities and securities markets is not yet full and complete, and the supply of securities to the market is still limited, which hinders investors from showing their interest and actually participating in this market.</p> <p>6. Further Steps Taken to Develop the Securities Markets Concerning the function and performance of the securities market, the government and the securities regulator are faced with a big question of how to make it an efficient channel of capital mobilization for investment and development. It is true that a securities market can exist and develop only when it becomes an efficient tool for attracting idle money and savings among the public, as well as increasing foreign capital inflows. With a view to achieve the strategic goal of developing a safe and efficient securities market for mobilization of domestic and foreign capital flows for economic and social development, and on the basis of subjective judgments mentioned above, the SSC sets the following duties:</p> <p>6.1. Perfecting the legal documents of securities and securities markets and enhancing the SSC's institutional capacity for policy making. A comprehensive and consistent legal environment is synonymous to a safe and efficient investment environment. Being well aware of this viewpoint, the SSC was actively engaged in the drafting of the Securities Law. As planned, the draft law was submitted to the National Assembly (Parliament) in 2006 and expected to be ratified and promulgated for implementation by 2007. Based on the assumption that a level playing field would be created for every stakeholder, this draft law helps enterprises get easier access to mid- and long-term capital sources, minimize their risks of mobilizing funds from other sources, and provide investors with a highest level of protection of their rights and interests.</p> <p>Parallel to this process of preparing the legal documents of highest status, the work of enhancing the securities regulator's institutional capacity in policy making has also been implemented. Knowledge and skills of analysis, and evaluation of and forecasting market situations have been key contents of training the regulatory and supervisory staff so that policies can be implemented effectively. Another top priority of the SSC is to plan its annual, mid- and long-term plans of actions, based on which specific steps are taken for each suitable period of market development. One of the criteria required for the process of perfecting the legal framework and enhancing the SSC's institutional capacity in its policy making is the introduction of international standards and practices compatible with Viet Nam's specific situations and conditions.</p> <p>6.2. Perfecting market mechanisms and enhancing market intermediaries' capacity As mentioned above, in order to ensure a stable investment environment and minimize market risks of all sorts, such pieces of work should be carried out as consolidating and modernizing existing market institutions, such as the STCs, securities houses, fund management companies, etc. In these institutions, both the financial capacity and operation capacity of securities houses must be intensified. As with the capacity of operation, specialized knowledge and skills of the securities houses' practitioners must meet the requirements of the fast changing and ever challenging investment environment. Furthermore, securities funds with their considerable capacity of capital and expertise for investment must be encouraged to take part in the market to make investment activities of all market participants more professional, and provide guidance and direction to small investors. Other ancillary institutions, such as credit rating agencies, and an independent center for securities registration, depository, clearing and settlement should be established and put into operation to provide reliable and efficient service to these market participants.</p> <p>As with self-regulatory organizations, such as the Securities Business Association and the Association of Financial Investors, their role in the securities industry must be brought into full play in order for these market participants to exercise their self-regulation, relieve the work burden of the securities regulator in regulating and supervising the market, and, most importantly, to enhance the regulatory efficiency and effectiveness through a check-and-balance mechanism.</p>	

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Month/Year	Event	Remarks
	<p>6.3. Increasing both quantity and quality of listed securities Increasing the supply of securities is an indispensable measure as far as policies of market development are concerned. It is earlier mentioned that majority of securities supplied to the market comes from equitized state-owned enterprises (SOEs). Therefore, the equitization process is so organic in the securities market development. At the moment, these enterprises are all in need of assistance and support for their restructuring, valuation, and the initial public offering of their stocks. The process of equitization of SOEs, thus, must be made easier and faster so that more quality products will be brought to the market for investors' diversification of their investments. In order to tackle part of the difficulties in the process of corporate valuation prior to equitization, the valuation of corporate assets must then be conducted by market intermediaries instead of the councils of corporate valuation of the enterprises themselves as previously done. Professionalism of a higher level and the independent status of the market intermediaries, such as auditing firms and securities houses, would help provide a more exact price level of stocks offered to the public, and reduce negative aspects in the equitization process. In accordance with the Government Decree No. 187/2004/ND-CP dated 16 November 2004, the offering of stocks of SOEs with a capital size of more than D10 billion would have to be auctioned via the STCs, helping existing and potential investors to get easier access to participate in these auctions and, thus, get more involved in the corporate transformation. The linkage between equitization and listing of stocks of the equitized SOEs would help push forward the equitization process which staggered recently. Another focal point worth considering is the equitization of state-owned big corporations and commercial banks and the transformation of foreign-invested joint ventures into joint-stock companies. These moves would surely enhance the quality of securities listed on the securities markets in the short term.</p> <p>6.4. Developing the base of both domestic and foreign individual and institutional investors Another solution in terms of market policies is the extension of the foreign investor base and consolidation of domestic investors' base. Apart from direct policies to encourage foreign investors, such as exemption of income tax and easing of foreign exchange policy, it is necessary to increase the opportunity of getting access to corporate information by foreign investors by encouraging companies to disclose and disseminate their financial information, issuance of their prospectuses, reports on their performance and compliance of regulations, and practice of corporate governance in English through the mass media or their websites, the SSC, or STCs. This is really significant in the sense that, on the one hand, it attracts more foreign investors' attention and interest and, on the other, enterprises would gradually establish a new culture of external and public relations.</p> <p>As for domestic investors, the most important thing is that they should upgrade their knowledge as well as their skills in securities investment. This can partly be done by propaganda, programs on the mass media, and through training courses tailored for the public.</p> <p>The establishment of securities investment funds and allowing these funds to engage in joint ventures are another positive move taken by the regulator towards specialization of investment activities and enhancement of securities investment skills.</p> <p>6.5. Developing the securities markets in their relationship with other sectors of the financial markets For the financial markets to develop in a comprehensive, well-balanced and efficient manner, closely and harmoniously linked to other sectors of these markets, the development of the securities markets must be well in line with that of the insurance and money markets. The insurance market is a major provider of institutional investors with most considerable financial potential for the securities markets and, consequently, the securities markets create more investment instruments for insurance companies to be able to manage and diversify their portfolio in the most efficient way. In this regard, the insurance market in Viet Nam now has attracted a large amount of clients, as well as their capital. By the end of 2003, revenues from insurance premiums of five life insurance companies reached over D7,000 billion, more than double the same period of the previous year. The question is how to encourage these insurance companies to take a more active role in investing in the securities markets. Legal documents of securities and securities markets now have allowed insurance companies to set up their affiliated fund management companies to manage funds obtained from insurance premiums and insurance reserves to be financially invested and these fund management companies can engage in the securities markets as institutional investors.</p>	

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Table 9.1 continuation

Month/Year	Event	Remarks
	<p>As a provider of major sources of medium- and long-term capital for development investment, the securities market has been developed in parallel with the money market—the provider of short-term finance through its credits and loans. These two channels of fund raising are complementary, not substitutive, to meet short- and long-term capital needs of the economy. The simultaneous and efficient growth of both markets shall produce short- and long-term yield curves to reflect the capital needs in the short and longer terms of the economy, helping investors to form their investment strategies and manage their portfolio of assets more efficiently. The linkage between the money market and securities market is evidenced by the bond market, in which government bonds play the focal role. Repo, swaps and other open market operations are solutions for the enhancement of this linkage.</p> <p>Besides the solutions mentioned above for the development of markets and mobilization of domestic and foreign capital flows, the SSC has been well aware of the inevitability and importance of integration with regional financial markets. As a member of the Association of Southeast Asian Nations (ASEAN), Viet Nam's securities markets cannot stand aside from the on-going process of integration in the region. Recently, the SSC has been actively taking part in the implementation of 11 points of capital market development in this region as mapped out in the ASEAN's Ha Noi Action Plan. In the framework of this Plan, common shared efforts should be made in order to accomplish all the commitments and workload towards increasing cross-border relations in the securities and securities markets in the short term, on the one hand, and towards international integration of financial markets in the long term, on the other.</p>	
04 November 2004	The Finance Minister's Decision on the Duties, Powers and Organizational Structure of the Departments, Office and Inspection Department of the State Securities Commission	Decision No.3595/QD-BTC
2006	The draft Law on Securities and Securities Markets was submitted to the National Assembly.	No 70/2006/QH11
01 January 2007	The Securities Law, which regulates Securities and Securities Markets, was enacted. This new law expanded its purview to unlisted securities, clarify public offering procedures, and incorporate basic provisions for a central securities depository, investment funds, investment advisory, self-regulatory organizations and so on.	No 70/2006/QH11
02/August-2007	Prime minister's Decision on Approval of the Project for the Development of Vietnam's Capital Market up to 2010 and Outlook to 2020.	PM's Decision No. 128-2007-QD-TTg
January 15 2008	Finance Minister of Vietnam has approved the Project to build up the Specialized Government Bond market and authorized Hanoi Stock Exchange to run the Specialized Government bond market solely	Decision 86/QD-BTC dated 15 Jan 2008
July 1, 2008	Finance Minister of Vietnam has signed the Decision on the issuance of Trading Management stipulation of Government Bond at Hanoi Securities Trading Center (former of HNX)	Decision 46/2008/QD-BTC dated 1 July 2008
January 2011	Government has released a Decree stipulated on the issuance of Government Bonds, Government Guaranteed Bonds and Municipal Bonds via auction which are implemented exclusively on HNX; replacing Decree 141/2003/ND-CP	Decree 01/2011/ND-CP
February 2012	Finance Minister signed a Circular to provide guidelines for Government Bond Issuance in the domestic market which supports Decree 01/2011/ND-CP	Circular 17/2012/TT-BTC

Source: State Securities Commission.

X. Items for Future Improvement

In 2007, the International Finance Corporation (IFC), through the Mekong Project Development Facility (MPDF),²⁵ conducted a gap analysis titled “Vietnam Capital Market Diagnostic Review,” which concluded on a range of topics for future improvements of the Viet Nam market. The analysis covered more than just the bond market. The details can be accessed from IFC’s website.²⁶

While some of the original findings may still be valid for the broader capital market, the past four years have seen significant developments in a number of bond market-related subjects put forward in 2007. These include the introduction of a code of conduct for bond market participants, through the Vietnam Bond Market Association, and the creation of a central infrastructure to support over-the-counter bond trading.

Among the challenges in the market remain the need for capacity building and the shift of processes from often manual or non-electronic means towards an integrated market solution. The Vietnam Securities Depository serves as the spearhead of development in this regard. For more details on possible items for improvement, please also see Chapter IV on Possible Impediments and Restrictions.

²⁵ The Mekong Project Development Facility (MPDF) is a multi-donor program of ADB, Australia, Canada, the European Union, Finland, International Finance Corporation, Ireland, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and the United Kingdom.

²⁶ International Finance Corporation. 2007. *Vietnam Capital Market Diagnostic Review*. [http://www.ifc.org/ifcext/mekongpsdf.nsf/AttachmentsByTitle/Capital-Market-Diagnostic/\\$FILE/Capital-Market-Diagnostic.pdf](http://www.ifc.org/ifcext/mekongpsdf.nsf/AttachmentsByTitle/Capital-Market-Diagnostic/$FILE/Capital-Market-Diagnostic.pdf)

XI. Next Steps ⇔ Future Direction

A. Future Direction: Viet Nam's Capital Market Outlook to 2020

Future direction of Viet Nam's capital market is enshrined in the *Decision on Approval of the Project for Development of Vietnam's Capital Market up to 2010 and Outlook to 2020*, which was passed in 2 August 2007. The full text of the decision can be found in Appendix 1.

B. Group of 30 Compliance²⁷

Table 11.1 Group of Thirty Compliance

	Recommendation	Implemented
1	Eliminate paper and automate communication, data capture, and enrichment	No
2	Harmonize messaging standards and communication protocols	No
3	Develop and implement reference data standards	No
4	Synchronize timing between different clearing and settlement systems and associated payment and foreign exchange systems	No
5	Automate and standardize institutional trade matching	Yes
6	Expand the use of central counterparties	No
7	Permit securities lending and borrowing to expedite settlement	No
8	Automate and standardize asset servicing processes, including corporate actions, tax relief arrangements, and restrictions on foreign ownership	Corporate actions standardization: Yes Tax: No Foreign ownership restrictions: Yes
9	Ensure the financial integrity of providers of clearing and settlement services	Yes
10	Reinforce the risk management practices of users of clearing and settlement service providers	Yes
11	Ensure final, Simultaneous transfer and availability of assets	Yes
12	Ensure effective business continuity and disaster recovery planning	No
13	Address the possibility of failure of a systematically important institution	No
14	Strengthen assessment of the enforceability of contracts	Yes
15	Advance legal certainty over rights to securities, cash, or collateral	Yes
16	Recognize and support improved valuation methodologies and closeout netting arrangements	Yes

²⁷ Group of 30 (G30). 2003. Global Clearing and Settlement – A Plan of Action. <http://www.partad.ru/world/word/g30app1.pdf>

Table 11.1 continuation

	Recommendation	Implemented
17	Ensure appointment of appropriately experienced and senior board members (of the boards of securities clearing and settlement infrastructure providers)	Yes
18	Promote fair access to securities clearing and settlement networks	Yes
19	Ensure equitable and effective attention to stakeholder interests	Yes
20	Encourage consistent regulation and oversight of securities clearing and settlement service providers	Yes

C. Group of Experts Final Report: Summary of Barriers and Market Assessment – Viet Nam (April/2010)

Table 11.2 Group of Experts Final Report on Viet Nam

Potential Barrier Area	Current Situation	Market Assessment Questionnaire Scores	Overall Barrier Assessment
Quotas	There are foreign ownership limits on equities but not on bonds, unless the issuer chooses to set a limit. The market is generally viewed as open to foreign investors.	LOW	OK
Investor registration	Foreign investors need to obtain a trading code. This is granted within 1–2 weeks of validly completed applications. The documentation requirements were previously onerous (requiring consularisation of documents) and requirements for certain types of entities were not clear. However, the requirements have been simplified under new regulations issued in December 2008.	LOW	LOW
Foreign exchange controls - conversion	Foreign investors are allowed to convert foreign currency to Vietnamese dong in order to trade on the Hanoi and Ho Chi Minh exchanges. The rate must be within a fixed margin of $\pm 5\%$ of the official exchange rate fixed by the State Bank of Vietnam on a daily basis (previously 3%). Foreign investors are only able to execute foreign exchange transactions for same-day, next day, or spot value. Foreign currency forwards cannot be sold to foreign investors. Third-party foreign exchange is possible, but uncommon. There are no clearly defined procedures or documentation requirements, and as a single payment system does not exist, third-party foreign exchange may be problematic.	LOW	LOW
Foreign exchange controls - repatriation of funds	Sales proceeds, dividends and interest may be freely repatriated, subject to tax certification. However, the foreign exchange market can be highly illiquid. This is of major concern to investors. “Because VND [Vietnamese dong] constantly trades at upper end of trading band, FX [sic] requests are placed in a queue that may take ages to be considered.” “The way that capital controls work in Vietnam also causes problems - last year, the rate bands were not adjusted and the central bank would not sell USD [sic] at the unadjusted rates, so the market dried up.” It is not so much the regulations, but market liquidity, due to the narrow rate bands, that causes the problems. The wider 5% band may improve the situation.	LOW	HIGH
Cash controls - credit balances	There are no restrictions on foreign investors maintaining credit balances in VND, or in investing surplus cash balances in interest-bearing accounts or money market instruments.	OK	OK
Cash controls - overdrafts	Foreign investors are not allowed to overdraw their cash accounts. Pre-funding is required for all securities trades. Securities companies only accept its customers order if they have enough securities and money in their account. This regulation is intended to prevent the possibility of default.	HIGH	HIGH
Taxes	Foreign investors are taxed at the rate of 0.1% on the gross proceeds of all sale transactions of taxable bonds (i.e., principal as well as gain). Interest income received from taxable bonds is subject to a tax of 0.1% calculated on the par value (i.e., the principal amount of the bond) plus the interest amount. Effectively, all bonds are taxable. While 0.1% is relatively small, the fact that it is applied to the principal on sale of bonds discourages trading. Investors view the tax system as being complex, but this may reflect the unfamiliar rules rather than inherent complexity. There is no provision for relief at source or for reclaims.	HIGH	HIGH

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Table 11.2 continuation

Potential Barrier Area	Current Situation	Market Assessment Questionnaire Scores	Overall Barrier Assessment
Omnibus accounts	Omnibus accounts are allowed. Global custodians and ICSDs can operate omnibus accounts provided the custodian or ICSD [international central securities depository] registers as an investor. However, there is no nominee concept in Vietnamese law.	OK	OK
Settlement cycle	The settlement cycle for bonds is T+1. Market participants have commented that it is possible for trades to be repudiated as, in law; a trade is not valid until it has been input into the Hanoi exchange system.	LOW	LOW
Message formats	SWIFT [Society for Worldwide Interbank Financial Telecommunication] message formats are not currently used by the CSD [central securities depository] or by local market participants.	LOW	LOW
Securities numbering	ISIN [International Securities Identification Number] codes are not currently used by the CSD or by local market participants. VSD [Vietnam Securities Depository] is in the process of allocating ISIN codes for Vietnamese securities. However, ISIN codes are not available until the bonds are registered at VSD.	HIGH	HIGH
Matching	There is a trade matching system but not a settlement matching system for bonds.	LOW	LOW
Dematerialisation	All bonds are now issued in dematerialised form. Existing issues must be deposited into the VSD (and dematerialised) if they are to be traded.	OK	OK
Regulatory framework	Regulations may be unclear. Different market intermediaries may interpret regulations differently. However, overall, the market is consistently moving towards international standards.	-	LOW

Please insert full citation. If database, please include date accessed. [https://wpqr1.adb.org/LotusQuickr/asean3goe/Main.nsf/h_58E34A1388F9070B48257729000C0A4E/90F408746827C16248257729000C1334/\\$file/Part3.pdf](https://wpqr1.adb.org/LotusQuickr/asean3goe/Main.nsf/h_58E34A1388F9070B48257729000C0A4E/90F408746827C16248257729000C1334/$file/Part3.pdf)

Appendix

Table A1.1 Decision on Approval of the Project for the Development of Vietnam's Capital Market up to 2010 and Outlook to 2020

<p>GOVERNMENT SOCIALIST REPUBLIC OF VIETNAM Independence - Freedom - Happiness</p> <p>No. 128-2007-QĐ-TTg</p> <p style="text-align: right;">Ha Noi, 2 August 2007</p> <p style="text-align: center;">DECISION ON APPROVAL OF THE PROJECT FOR DEVELOPMENT OF VIETNAM'S CAPITAL MARKET UP TO 2010 AND OUTLOOK TO 2020</p> <p style="text-align: center;">The Prime Minister</p> <p>Pursuant to the Law on Organization of the Government dated 25 December 2001; Pursuant to the Law on Securities dated 12 July 2006; Having considered the proposal of the Ministry of Finance in Submission 22-TTr-BTC dated 28 March 2007,</p> <p style="text-align: center;">Decides:</p> <p>Article 1 To approve the project on development of Vietnam's capital market up to 2010 and the outlook to 2020, with the following main particulars:</p> <p>A. Objectives</p> <p>1. General objectives:</p> <p>To develop Vietnam's capital market in which the securities market plays the dominant role in a fast, synchronous and sustainable manner; to gradually turn the capital market into an important component of the financial market, thus greatly contributing to mobilizing capital for developmental investment and economic reform; to ensure publicity and transparency and to maintain the order, safety and efficiency of the market, and to enhance management and supervision of the market; to protect the lawful rights and interests of investors; to gradually increase competitiveness and to proactively integrate into the international financial market. Targeted by 2020, Vietnam's capital market will reach the developmental level of capital markets in regional countries.</p> <p>2. Specific objectives:</p> <p>To develop a diversified capital market in order to satisfy the need for capital mobilization and investment by entities in the economy. Securities market capitalization is targeted to reach fifty (50) per cent of GDP by 2010 and seventy (70) per cent by 2020 [sic].</p> <p style="text-align: right;"><i>continued on next page</i></p>

Table A1.1 continuation

- To rationally increase the number of securities companies, fund management companies, securities investment companies etc., and to improve the quality of operation and financial capability of such companies; to diversify services provided on the market; to increase the professionalism and quality of services; and to ensure publicity, transparency and equality on the market;

- To expand the operational scope of the Securities Depository Centre; to apply international depository standards; and to effect interlinked payment transactions between the capital market and the money market;

- To gradually form a credit rating market in Vietnam. To permit qualified credit rating organizations to be established in Vietnam and to permit a number of foreign reputable credit rating organizations to conduct credit rating activities in Vietnam.

(d) To develop a network of foreign and domestic investors:

- To encourage professional investment institutions (banking, securities, insurance, etc.) to participate in investment on the market in accordance with law. To carry out the roadmap to open up the Vietnamese market for foreign institutional investors in accordance with the undertaken roadmaps;

- To diversify investment funds; to facilitate Vietnam Social Insurance, Vietnam Postal Savings and so on to make investments on the capital market; to gradually develop and diversify superannuation funds in order to mobilize capital from inhabitants participating in investment; and to encourage the establishment of foreign investment funds making long-term investments in the Vietnamese market.

(dd) To complete the legal framework and improve the effectiveness and efficiency of State administration and supervision:

- To perfect a consistent and synchronous legal system satisfying the management and supervision requirements and the needs for integration into the international and regional capital market;

- To supplement remedies to strictly deal with civil and criminal cases in order to prevent and deal with breaches on the capital market and the securities market;

- To research and perfect policies on taxes, fees and charges applicable to securities activities, and to promote long-term investment and restrict short-term investment; to moderate profit obtained from securities business, and concurrently, via the payment of taxes, fees and charges, to contribute to overseeing the activities of the securities market and each entity or member joining the market (including foreign and domestic investors);

- To apply market supervision standards in accordance with the international practice; to intensify the checking, inspection and supervision of compliance with law by members joining the market; to check and monitor marketed goods, and to ensure publicity and transparency; to strengthen the supervision and enforcement capacity of market regulatory bodies;

- To reinforce the State apparatus, improve State administration and supervision of the capital market; to gradually separate the function of administration from the function of supervision of market activities; to study as soon as practical the establishment of a national financial supervision body to assist the Prime Minister in co-ordinating policies and warning systems and in managing and supervising financial and monetary activities at a macro level.

(e) To proactively open the market and integrate into the international and regional markets:

- Step by step, to open the capital market for foreign investors in accordance with the undertaken integration roadmap and concurrently, to ensure control of capital inflows and capital outflows; to expand international co-operative activities in terms of policy consultancy, legal consultancy and market development;

- To speed up training work and to develop human resources for the capital market; to intensify dissemination of knowledge about the capital market and securities market to the public, to enterprises and economic organizations.

(g) To assure national financial security by carrying out the following actions: to efficiently supervise capital transactions; to take measures to closely control capital flows; in necessary cases to apply appropriate solutions to reduce the exchange rate and preclude market deformity and crisis risks on the market. Such solutions shall be stated in legal instruments and notified to investors and may be applied when security of the financial system is likely to be affected. To apply a special mechanism of supervision of weak intermediary institutions in order to minimise negative chain-reaction impacts on the entire system.

Article 2 Implementing organization

The Ministry of Finance shall preside over the co-ordination with ministries, ministerial equivalent bodies, Government bodies and People's Committees of provinces and cities under central authority to organize implementation of this Decision.

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Table A1.1 continuation

Article 3

This Decision shall be of full force and effect fifteen (15) days from the date of its publication in the Official Gazette and shall replace Decision 163-2003-QĐ-TTg of the Prime Minister dated 5 August 2003 on approval of the strategy for development of the Vietnamese securities market up to 2010.

Article 4

Ministers, Heads of ministerial equivalent bodies, Heads of Government bodies, Chairmen of People's Committees of provinces and cities under central authority and Heads of relevant bodies shall be responsible for implementation of this Decision.

Prime Minister
NGUYEN TAN DUNG

Source: Hanoi Stock Exchange. http://www.hsx.vn/hsx_en/Modules/Phapquy/VAN_BAN_PHAP QUY_FILE_download.aspx?ID_FILE=1427&TEN_FILE=Dn128gv2Aug07VietnamCapitalMarket.pdf

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