

A high-angle photograph of terraced rice fields in Vietnam, showing lush green and yellow-green terraces carved into a hillside. A large, semi-transparent green circle is overlaid on the lower-left portion of the image, and a solid blue horizontal bar is positioned above the title text.

Vietnam Bond Market 2018

The background of the slide features a photograph of terraced rice fields in Vietnam, characterized by their curved, stepped appearance and lush green color. This image is partially obscured by a large, dark green circular graphic on the left and a smaller, lighter green circular graphic on the right. A solid blue horizontal line is positioned above the title text.

Vietnam Bond Market 2018

CONTENTS

FOREWORD	5
LIST OF ABBREVIATIONS	6
PART I. OVERVIEW OF THE VIETNAM BOND MARKET	7
I. Conception and development of the bond market	7
1. Government bonds, Government-guaranteed bonds and municipal bonds	8
2. Corporate bonds	9
II. Government bond, Government-guaranteed bond and municipal bond markets	10
1. Government bond market	10
1.1 Legal framework	10
1.2. Market operation features	10
1.3. Market overview (2011-2017)	12
2. Government-guaranteed bond market	14
2.1. Legal framework	14
2.2. Market overview (2011-2017)	15
3. Municipal bond market	16
3.1. Legal framework	16
3.2. Market overview (2011-2017)	16
III. Corporate bond market	17
1. Legal framework	17
1.1. Public offerings of corporate bonds	17
1.2. Private placement of corporate bonds	18
2. Market Overview (2011-2017)	18
PART II. BOND MARKET OPERATIONS IN 2018	20
I. Government bond, government-guaranteed bond and municipal bond markets	20
1. Government bond market	20
2. Government-guaranteed bond market	22
3. Municipal bond market	24
II. Corporate bond market	24

PART III. OBJECTIVES AND POLICIES FOR BOND MARKET DEVELOPMENT IN 2019	26
I. Government bond, Government-guaranteed bond and municipal bond markets	26
1. Government bond market	26
2. Government-guaranteed bond market	28
3. Municipal bonds	28
II. Corporate bond market	29

ANNEX

Annex 1. List of legal and regulatory documents on Government bonds, Government-guaranteed bonds, municipal bonds	30
Annex 2. Process of Government bond issuance by auctioning	31
Annex 3. Process of Government bond issuance by underwriting	32
Annex 4. Stepwise process for secondary market trading transactions	33
Annex 5. Process for foreign investors purchasing Government bonds	37
Annex 6. Public debt and credit ratings of Vietnam	40
Annex 7. Vietnam Government bond market (2011-2018)	41

LIST OF TABLES AND FIGURES

Table 1: Government bond trading volumes in secondary market (2011-2017)	13
Table 2: Transaction volumes of Government-guaranteed bonds (2011-2017)	15
Table 3: Ratio of bidding/calls for bids by volume	20
Table 4: Government bond trading transaction values (2017-2018)	22
Table 5: Auctioning of Government-guaranteed bonds of two policy banks	22
Table 6: Listing of Government-guaranteed bonds and municipal bonds	24
Table 7: Tentative volume of Government bond issuances by maturities	26
Figure 1: Bond market sizes relative to GDP	8
Figure 2: Proportion of Government bonds issued by tenors (2011-2017)	12
Figure 3: Government bond issuing volumes and outstanding (2011-2017)	13
Figure 4: Composition of investors in Government bond market (2011-2017)	14
Figure 5: Issuing volumes of Government-guaranteed bonds (2011-2017)	15
Figure 6: Issuing volumes of municipal bonds (2011-2017)	17
Figure 7: Volumes of corporate bonds issued by private placement and bonds outstanding (2011-2017)	19
Figure 8: Government bond issuing volumes by tenors (2018)	20
Figure 9: Interest rate dynamics for all issuing tenors (2018)	21
Figure 10: Government bonds outstanding disaggregated by time to maturity of debt portfolio	21
Figure 11: Government-guarantee bond issuances by maturities (2018)	23

FOREWORD

Alongside robust development of Vietnam's economy in recent years, its bond market has thrived as an effective financing channel for the Government, enterprises, sub-national governments and State-owned policy banks.

To underscore this point, the bond market's total financing amounted to VND 2.5 thousand trillion during 2011-2018, representing impressive 26 percent average annual growth. This upward trend had lifted the bond market's capitalization to 39.12 percent of Gross Domestic Product (GDP) by 2018, a five-fold jump from 2011, while improving liquidity in the secondary market. Instruments and the investor base have also become increasingly diversified.

The legal framework governing bond market operations has been steadily reformed and enhanced to facilitate all market participants. As a result, Vietnam's bond market has evolved to become increasingly public, transparent and more aligned with international good practices.

In an effort to systematically inform investors about the bond market and its dynamics, the Ministry of Finance has prepared this "Vietnam Annual Bond Market Report in 2018", to provide concise information encompassing the legal framework, market operations, investor base, future market development plans, objectives and policies. The World Bank and Swiss Secretariat for Economic Affairs (SECO) are warmly acknowledged for supporting the Ministry of Finance in publishing this report.

We believe this report will be an insightful resource and reference point for investors as well as others interested and participating in Vietnam's bond market.

Minister of Finance



Dinh Tien Dzong

LIST OF ABBREVIATIONS

BIDV	Vietnam Bank for Investment and Development
DIV	Deposit Insurance of Vietnam
GDP	Gross Domestic Product
HNX	Hanoi Securities Exchange
HOSE	Ho Chi Minh Securities Exchange
MOF	Ministry of Finance
OTC	Over-the-counter
SBV	State Bank of Vietnam
SECO	Swiss Secretariat for Economic Affairs
VBMA	Vietnam Bond Market Association
VDB	Vietnam Development Bank
VND	Vietnam Dong
VSD	Vietnam Securities Depository Center
VSPB	Vietnam Social Policy Bank
VSS	Vietnam Social Security Agency

OVERVIEW OF THE VIETNAM BOND MARKET

I. CONCEPTION AND DEVELOPMENT OF THE BOND MARKET

Vietnam's bond market began to take shape in the mid-1990s, with the Government issuing a series of construction and national bonds to finance the State budget. During 1990-2000, the State Treasury was the only authorized issuer to raise market finance through short-tenor Treasury bills and bonds of less than three years.

Alongside the economy and financial market's vigorous development, the bond market has evolved into two main branches: i) Government bond, Government-guaranteed bond and municipal bond ("sub-national government bond") markets and ii) the corporate bond market. Both were established and gradually grew in response to financing requirements of the Government, State-owned policy banks, sub-national governments and enterprises.

Four main types of issuers operate in the bond market: i) the State Treasury is authorized by the Ministry of Finance (MOF) as the issuer of Government bonds to finance State budget deficits and refinance due debt principals as stipulated in the State Budget Law and Public Debt Management Law, ii) State-owned policy banks (Social Policy Bank and Vietnam Development Bank) are permitted to issue bonds with Government guarantees to finance State policy-targeted credit schemes, iii) sub-national People's Committees of provinces and municipalities issue municipal bonds to fund respective sub-national government budgets and iv) incorporated entities issue corporate bonds to service productive and commercial investments.

The investor base consists of financial intermediaries (credit institutions, securities firms, insurance companies and investment funds), Vietnam Social Security Agency (VSS), Deposit Insurance of Vietnam (DIV), individual and institutional investors.

The Vietnam Bond Market Association (VBMA) is a socio-professional body, whose members are bond market investors and intermediaries - some of whom are also corporate issuers. VBMA acts as a platform for information exchanges and updates, to strengthen collaboration among regulators, issuers and investors, provide opinions to regulators for enhancements to the legal framework governing the bond market, deliver support services to its members, deliver training and capacity building for its members and engage in cooperation with global and regional bond market associations.

The Vietnam Securities Depository Center (VSD), Hanoi Securities Exchange (HNX) and Ho Chi Minh Securities Exchange (HOSE) are service providers for bond registration, custody, listing and trading for issuers. Accordingly, HNX and VSD organize and operate platforms for government, government-guaranteed and municipal bond registration, custody listing and trading in the secondary market. Corporate bonds can be listed and traded on the HNX and HOSE.

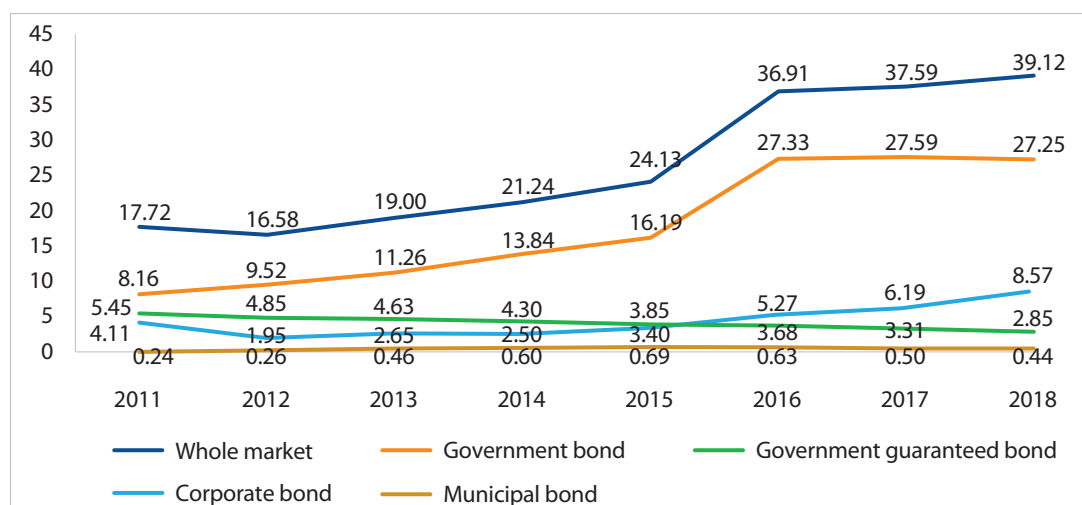
Bond market products have increasingly diversified in response to investors' demands and the increasing debt-carrying capacity of issuers. As for Government bonds, a full range of tenors were observed throughout 2011-2018, ranging from T-bills of <364 days to bonds with 30-year tenors, Government-guaranteed bonds have fixed-rate tenors from two to 15 years and municipal bonds from three to 30 years. The corporate bond market boasts a full range of products encompassing fixed to variable rates, secured and guaranteed bonds.

Intermediary institutions in the capital and bond markets have emerged and developed with participation from securities firms, fund management companies, investment funds, credit rating agencies and pension funds.

The institutional and policy framework has been steadily reformed with increasingly diversified products and steadfast growth in intermediary institutions and market infrastructure. During 2011-2018, the bond market developed both in depth and breadth with an annual average growth rate of 26 percent. The Government bond market's 35 percent average annual growth was a particularly eye-catching feature.

The bond market's size expanded from just 2.82 percent of GDP in 2001 to 17.72 percent in 2011 and upward to 39.12 percent in 2018. By the end of 2018, the Government bond market's size equalled 27.2 percent of GDP, followed by corporate bonds (8.6 percent), Government-guaranteed bonds (2.8 percent) and municipal bonds (0.44 percent).

FIGURE 1 Bond market sizes relative to GDP



1. GOVERNMENT BONDS, GOVERNMENT-GUARANTEED BONDS AND MUNICIPAL BONDS

Government bonds (Government debt instruments) can be issued by the State Treasury via three methods: i) auctioning on securities exchanges, ii) underwriting and iii) private placement. Upon the specialized Government bond market's establishment in 2009, the auctioning and listing of tradable Government bonds have taken place on the HNX, with registration and custody services performed by VSD. Currently, most Government bonds are issued through auctions, listed and traded on the Government bond market-specialized HNX.

Primary Dealers (previously referred to as "Government bond auctioning members"), consisting of commercial banks and securities firms satisfying eligibility conditions and selected from

annual short-lists issued by the MOF, are exclusive participants in Government bond auctions on behalf of themselves or customers. Currently, key Government bond holders and/or buyers mainly consist of commercial banks, VSS, DIV and insurance companies. In recent years, Government bond holdings amongst commercial banks have declined, while those of non-bank financial institutions (VSS, DIV, insurance companies, investment funds) are trending up, which demonstrates the increasingly important role of long-term investors.

Government-guaranteed bonds are issued via auctions on the HNX, registered and deposited at the VSD, listed and traded on the HNX - as are Government bonds.

Similar to Government bond auctions, Primary Dealers are exclusive members permitted to participate in Government-guaranteed bond auctions on behalf of themselves or customers. Other dealers and investors can purchase Government-guaranteed bonds from Primary Dealers. Government-guaranteed bond investors are primarily commercial banks, insurers and securities firms.

Municipal bonds can be issued through one of two methods: (i) auctioned via the securities exchanges and (ii) underwriting. After issuance on the primary market, bonds are registered and put into VSD custody, listed and traded in securities exchanges and when requested by the issuer. Most municipal bond investors are commercial banks.

2. CORPORATE BONDS

The corporate bond market can be viewed as two components: i) private placement and ii) public offerings. In public offerings, the State Securities Commission issues registration certificates for offerings of bonds and/or provides opinions on plans for offerings of convertible privately-placed bonds, privately-placed bonds with options of public companies, directly monitors public offerings and private placements of bonds in public companies. The MOF monitors the private placement bonds and sets market policies. Regarding international market bond issuances, issuing companies must register with the State Bank of Vietnam (SBV) for compliance with external commercial borrowing limits.

Bond-issuing enterprises, under the principles of self-borrowing, self-repayment and responsibilities to debt-carrying capacity and solvency through compliance with eligibility conditions, must fully disclose information as stipulated by regulations. Enterprises can issue bonds through: i) auctioning, ii) underwriting and iii) direct placement with investors. In each stage, corporate bond regulations are subject to change, yet their cross-cutting objectives are protection of investor interests, transparency, corporate bond market openness and facilitation of company financing.

The corporate bond market investor base consists of commercial banks as key players as well as insurance companies, securities investment funds, other individuals and organizations. The share of commercial bank holdings of corporate bonds has declined in recent years, which is a sign of interest from other (domestic and external) investors in local corporate bonds.

Intermediary and service institutions that assist companies to issue bonds and investors to purchase bonds are established and developing, including credit ratings agencies, advisory service providers, underwriters for bond issuances and the private placed corporate bond information center¹.

1 The corporate bond information center is based at the HNX

II. GOVERNMENT BOND, GOVERNMENT-GUARANTEED BOND AND MUNICIPAL BOND MARKETS

1. GOVERNMENT BOND MARKET

The Government bond market plays a pivotal role in development of the overall bond market, due to solid foundations anchored in its legal framework, primary and secondary markets, infrastructure and investor base. The Government is the overarching and most frequent issuer in the bond market, with an annual average Government bond issuing value of VND 220,000 billion during 2012-2018.

Government bonds (or Government debt instruments), which include Treasury bonds, Treasury bills and national construction bonds, are issued regularly to finance the State budget.

1.1 Legal framework

Government bond issuances and transactions are governed by the Public Debt Management Law, Decree No.95/2018/ND-CP (June 30th, 2018), promulgating regulations on the issuance, registration, custody, listing and trading of Government debt instruments in securities markets and other guideline circulars (*please refer to the list of legal and regulatory documents governing the issuance and transactions of Government bonds in Annex 1*).

1.2. Market operation features

Issuance plan: The annual Government bond issuing volume is determined by the State budget plan enacted by the National Assembly and cognizance of bond market conditions. In view of the State budget financing mandate, the MOF decides Government bond issuing volumes and mandates the State Treasury to prepare and disclose the annual bond issuance and tentative quarterly bond issuance plans on the websites of the Vietnam State Treasury (<http://vst.mof.gov.vn>) and HNX (<https://hnx.vn/vi-vn/trai-phieu.html>).

Auctions calendar: At the beginning of each year, the State Treasury notifies Primary Dealers of the annual auctions calendar broken down by weeks to allow the latter to actively plan engagement in Government bond auctions performed each Wednesday morning (excluding public holidays and festivals as stipulated by legislation). Cognizant of members' financing needs and bids, the State Treasury immediately after each morning auction can announce an additional afternoon session on the same day if within approved limits.

Issuing methods: In alignment with regulations, Government bonds can be issued through auctions, underwriting and private placements. The former is the most common method, while underwriting is used to launch new products on the market.

In terms of auctioning methods, multiple-price or uniform-price auctions can be applied. The latter is more common, with the uniform cut-off rate determined as the auction result for all successful bidders. In additional auction sessions, the fresh issuing volume can be 50 percent of the original offered volume for each bond code, depending on State Treasury cash management demands.

The underwriting method sees Government bond issuances conducted via a lead underwriter and/or co-underwriter(s) that can solicit potential investors and act on behalf of an underwriting syndicate to sign the underwriting contract and distribute bonds to members as per international practice (*please refer to issuing procedures in Annex 3 and Annex 4*).

Primary Dealers' roles, rights and obligations: Primary Dealers create liquidity in the primary and secondary markets for Government bonds within rights and obligations stipulated in Decree No.95/2018/ND-CP and MOF guidelines.

As exclusive participants in Government bond auctions, Primary Dealers are also prioritized to act as lead underwriters in auctions and in buybacks and switching of Government bonds as well as engage with State regulators on market regulations. In fulfillment of obligations to quote firmly committed prices whilst having insufficient Government bonds for a trade, Primary Dealers can request the State Treasury issue benchmark bonds to support market liquidity.

Primary Dealers are obliged to quote firmly committed bid-ask prices for benchmark bonds in the secondary market to create market liquidity as well as purchase and trade Government bonds in minimum volumes specified for each period by the MOF. Such quotations are stipulated by Decree No.95/2018/ND-CP, MOF guidelines and State Treasury announcements of benchmark bonds, start and end dates for firmly committed price quotations, frequency and volumes of firmly committed price quotations for each benchmark bond and the maximum spread for calculations of firmly committed bid-ask prices.²

Instruments: Government bond market products include Treasury bills with tenors of up to 364 days, Government bonds with tenors of two, three, five, seven, 10, 15, 20 and 30 years (20- and 30-year tenors were first issued in 2016). Fixed-rate bonds can have short or long first coupons. In addition to fixed-rate Government bond products, zero-coupon bonds are available. In view of Government bond portfolio restructuring and investor base diversification policies, issuing volumes of Government bonds with longer tenors of at least five years or more account for an increasing share of annual issuing volumes.

Settlement, registration and custody processes: Government bond auctions are settled via the SBV's Banking Operations Center. The issuing date is day T, the settlement date of Government bond purchases via auctions is T+1, and Government bonds are listed and traded on the HNX at T+2. Government bonds are registered and deposited with the VSD, while secondary market purchases are also settled via the center.

Secondary market transactions: The four types of Government bond transactions are: i) outright, ii) repo, iii) sale and repurchase repo and iv) lending and borrowing transactions, with the first and third most common. Government bonds are traded via electronic and common put-through methods, with the latter seeing investors negotiate transaction conditions and enter the result into HNX's Government bond trading platform for transaction establishment.

Bond buybacks and switching: Government bonds can be bought back and switched as arranged by the State Treasury under initiatives approved by the Prime Minister through negotiations or auctions. Specific procedures for Government bond buybacks or switching are specified in MOF guideline circulars.

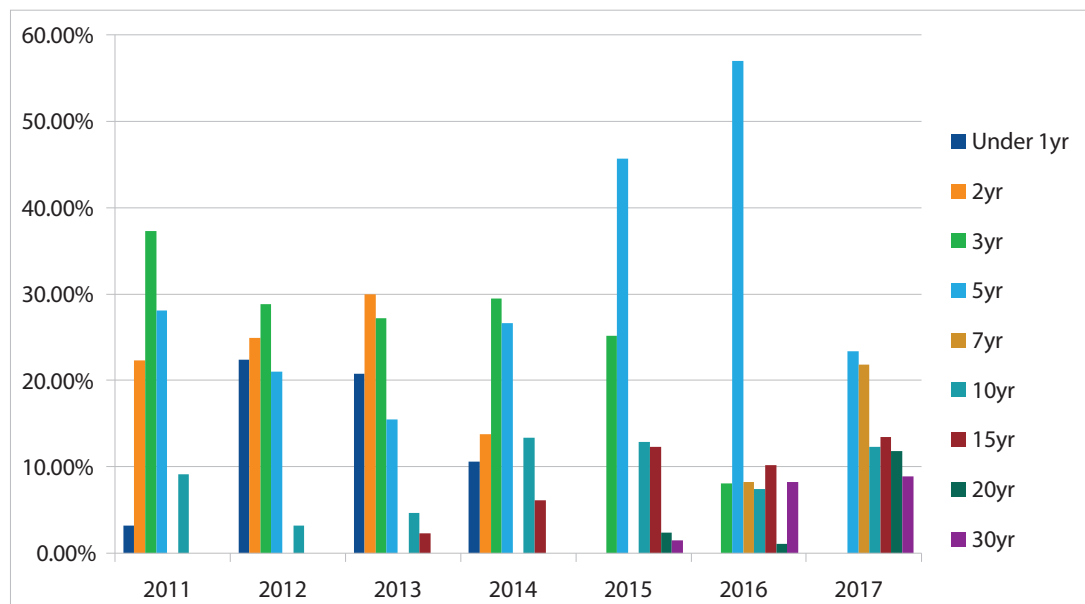
2 Primary Dealer market making and VST liquidity support are in the pre-implementation phase.

1.3. Market overview (2011-2017)

Government bond market operations, driven by legal framework refinement, have witnessed fundamental reforms to instrument types, processes and procedures for bond issuances, registration, custody, listing, trading and the investor base. During 2011-2017, total issuing volumes of Government bonds amounted to VND 1,176 trillion - or VND 220 trillion per year on average - accounting for 60-70 percent of annual State budget financing volumes.

Instruments: Prior to 2014, Government bonds were mainly issued in short tenors of less than 10 years. Subsequently, longer-term bonds were prioritized to lengthen the average term to maturity of the Government bond portfolio, starting with issuance of 20- and 30-year tenors in 2015. Following National Assembly Resolution No.25/2016/NQ-QH on approval of the five-year national financial plan for 2016-2020, Government bonds have been issued with tenors of five years or more, while Treasury bills have not been issued since 2017. As a result, the average issuing maturity of Government bonds has lengthened to increase portfolio debt sustainability. In addition, Government bond average sizes have grown to VND 6,000-7,000 billion and can be re-opened on tap during three-four month periods depending on market conditions. Bond sizes are forecast to further expand to establish benchmark bonds.

FIGURE 2 Proportion of Government bonds issued by tenors (2011-2017)



Issuing methods: Government bonds during 2011-2017 were mainly issued by HNX auctions to boost competition and transparency. To launch new market products (bonds with 20- and 30-year tenors, zero-coupon bonds), the State Treasury may arrange underwriting method issuing sessions.

The secondary market for Government bonds gradually emerged with increasing volumes across 2011-2017. The average transaction volume in 2017 was VND 7,432 billion per trading session, while the average transaction volume for Government, Government-guaranteed and municipal bonds was VND 9,000 billion per trading session. Secondary market transactions were characterized by increasing shares of repo transactions, while outright transactions fell from 90 percent of total transactions in 2011 to 51 percent in 2017.

Settlement of transaction payments: From 2011 to July 2017, VSD settled Government bond transaction payments by clearing via the Vietnam Bank for Investment and Development (BIDV) for the settlement date of T+1. Since August 2017, VSD settled Government bond transactions via the SBV by inter-bank settlements for each transaction.

The secondary market IT platform has been upgraded to facilitate shortened periods from the date of bond issuance to bond trading from T+10 days (in 2009) to T+2 (in 2015).

FIGURE 3 Government bond issuing volumes and outstanding (2011-2017)

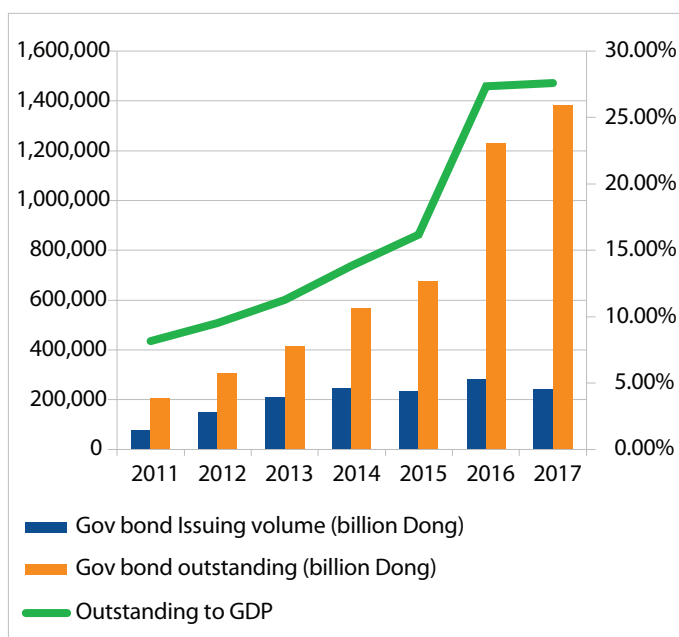


TABLE 1 Government bond trading volumes in secondary market (2011-2017) (Unit: VND billion)

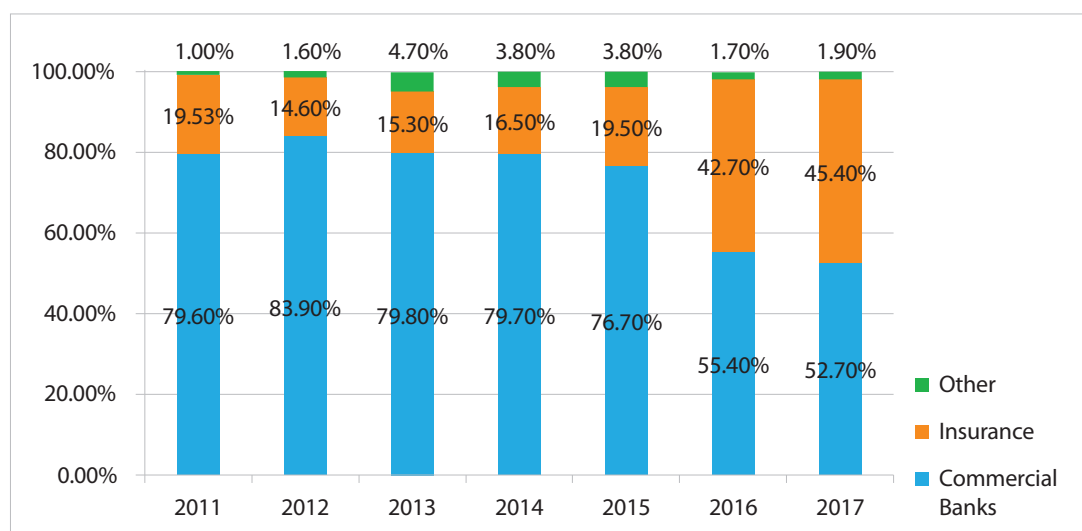
	2011	2012	2013	2014	2015	2016	2017
Outright transactions	45,268	15,857	290,847	562,281	504,985	831,220	1,036,792
Repo transactions	827	18,101	57,501	176,177	219,447	459,642	866,481
Total transaction value	46,095	133,958	348,348	738,458	724,432	1,290,862	1,903,273
Average transaction value per session	186	536	1,393	2,990	2,921	5,143	7,613

Buyback and switching operations: The State Treasury during 2011-2017 also conducted bond switching operations to enhance market liquidity and public debt consolidation with a volume of VND 12,802 billion.

Investor base: The MOF initiated a series of steps during 2014-2017 to restructure the investor base composition towards sustainability. This was achieved through drawing down the holdings of short-term Government bond investors and increasing those of long-term non-bank financial institution investors through (i) prioritizing issuance of long tenor Government bonds when market conditions were favorable and (ii) converting VSS loans into bonds. As a result, compared to 2016 when the majority of Government bond market investors were commercial banks, this player's holdings have decreased (which was 76.7 percent in 2015, 55.4 percent (2016), 52.7 percent (2017) and 47.8 percent (2018)). While non-resident investors also

participate in the Government bond market, they only hold around 1 percent of the portfolio (*Annex 5 explains non-resident investors' participation*).

FIGURE 4 Composition of investors in Government bond market (2011-2017)



2. GOVERNMENT-GUARANTEED BOND MARKET

The nascent market for Government-guaranteed bonds emerged from 2009 when the Government provided guarantees for two policy banks issuing bonds to raise funds for State-targeted credit schemes in compliance with the Public Debt Management Law. Since 2011, the Government-guaranteed bond market has operated smoothly with an average annual issuing volume of VND 42 trillion.

2.1. Legal framework

During 2011-2017, Government-guaranteed bond issuances complied with the 2009 Public Debt Management Law, Decree No.01/2011/ND-CP on issuances of Government, Government-guaranteed and municipal bonds as well as applicable MOF circulars. During 2011-2017, only two policy banks were Government guaranteed for bond issuances to finance State credit schemes. Since July 1, 2018 issuances of Government-guaranteed bonds were governed by the 2017 Public Debt Management Law, Decree No.91/2018/ND-CP (June 26, 2018) on issuance and management of Government guarantees. Accordingly, the Government shall issue guarantees for enterprises issuing bonds to finance investment projects eligible against criteria of investment policy decision-making authorities, overdue debt, debt-to-equity ratio, business performance, and minimum equity requirements for project participation. The two policy banks are also Government guaranteed for bond issuances to finance State credit schemes.

Policy bank-issued government-guaranteed bonds shall follow auction procedures applicable to Government bonds. For enterprises, issuances of Government-guaranteed bonds follow securities legislation as per public offerings of bonds.

2.2. Market overview (2011-2017)

The total issuing volume of Government-guaranteed bonds during this period was VND 244,553 billion, equivalent to an average VND 40,758 billion per year, essentially responsive to policy banks' financing needs for implementation of State-targeted credit schemes.

Issuance plan: In light of Prime Minister-approved annual bond issuing limits, policy banks shall announce pre-issuance information on HNX and home websites. Information for disclosure includes issuing volumes, tenors, auction calendar, coupon dates and principal repayments.

Instruments: In the Government-guaranteed bond market, products range from two- to 15-year tenors (10- and 15-year tenors issued from 2014). Common issuing tenors are five-, 10- and 15-years.

Issuing methods: Policy banks issue bonds through HNX auctions, with a uniform price auction method similar to that for Government bonds. A uniform interest rate is applicable for all successful bidders.

Weekly auction dates are selected by the two policy banks, with the Social Policy Bank often conducting auctions on Mondays and Vietnam Development Bank on Fridays.

Trading and settlement: Government-guaranteed bonds are settled and traded in the secondary market using uniform procedures for trading and settlement of Government bonds. Bond purchase payments are settled on T+1, listed and traded in the securities market on T+2, and payments cleared via the SBV. During 2011-2017, the trading volume increased in the secondary market as demonstrated in Table 2.

FIGURE 5 Issuing volumes of Government-guaranteed bonds (2011-2017)

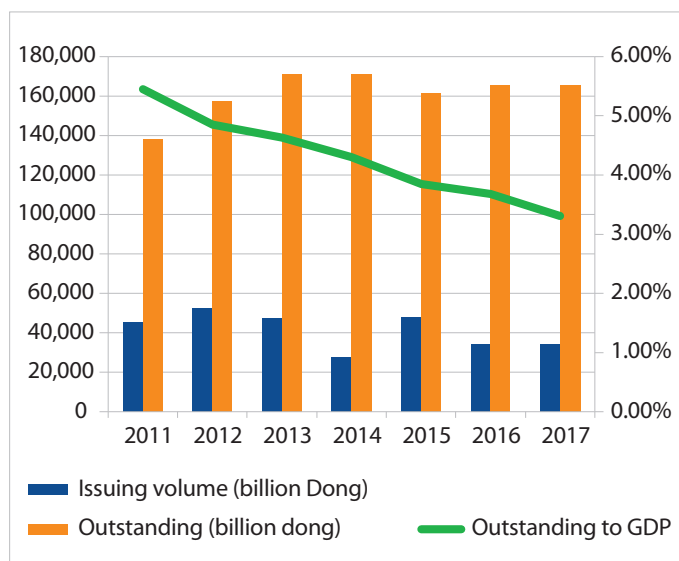


TABLE 2 Transaction volumes of Government-guaranteed bonds (2011-2017) (Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017
Outright transactions	42,430	45,568	47,405	74,350	98,095	158,725	102,212
Repo transactions	766	32,188	18,779	69,445	77,932	143,542	240,709
Total transaction value	43,196	77,756	66,184	143,795	176,027	302,266	342,921
Average transaction value per session	174	311	265	582	710	1,204	1,372

Investor base: Government-guaranteed bond investors are chiefly commercial banks that buy around 90 percent of total issuing volumes, while insurers and securities firms account for 10 percent.

3. MUNICIPAL BOND MARKET

Alongside development of the Government bond market and in response to infrastructure financing needs, Ho Chi Minh City was the first sub-national government to issue municipal bonds in 2003, kick-starting the emergence of the municipal bond market. By 2018, eight sub-national governments (Ba Ria-Vung Tau, Bac Ninh, Danang, Dong Nai, Haiphong, Hanoi, Ho Chi Minh City and Quang Ninh) had issued municipal bonds to finance projects as part of respective budget expenditure mandates.

3.1. Legal framework

From July 1, 2018, municipal bond issuances followed the 2017 Public Debt Management Law, Decree No.93/2018/ND-CP (June 30, 2018) on sub-national government debt management and other regulatory guidelines on Government bond issuances. As stipulated in the 2017 Public Debt Management Law and 2015 State Budget Law, People's Committees of provinces and cities are permitted to issue municipal bonds to finance respective budget deficits and/or refinance sub-national government debt principals. The bond issuing volume must be within the annual sub-national government debt limit approved by the National Assembly.

3.2. Market overview (2011-2017)

The total issuing volume of municipal bonds in the primary market amounted to VND 34,584 billion during this period, equivalent to an annual average of VND 5,764 billion, partially responsive to financing needs of sub-national governments. Ho Chi Minh City was the biggest issuer in the municipal bond market with an issuing volume of VND 17,310 billion.

Issuance plan: Subject to sub-national government annual budget revenue and expenditure plans, annual debt borrowing and repayment plans as well as bond issuance plans approved by the People's Council, the People's Committee of a province or city shall announce its municipal bond issuance plan (five) days prior to the auction issuing date or (one) working day prior to the underwriting issuing date for potential investors to register. The municipal bond issuance plan is published on the website of HNX where the auction will take place, website(s) of the sub-national government or issuing agent as authorized by sub-national government.

Instruments: In the municipal bond market, products range from three- to 30-year tenors (three-, five-, 10-, 15-, 20- and 30-years). The majority of sub-national governments issue bonds with five-year tenors, accounting for 50 percent of total issuing volumes. Only Ho Chi Minh City has successfully issued bonds with 10- to 30-year tenors, accounting for 21.1 percent of total issuing volumes.

Issuing method(s): Most sub-national governments issue municipal bonds through the underwriting method. Only Ba Ria-Vung Tau, Danang and Hanoi have issued bonds through HNX auctions.

Transaction and settlement: Municipal bonds are traded and settled in the secondary market as per Government bonds. Municipal bond investors mainly hold to maturity, with limited trading volumes.

III. CORPORATE BOND MARKET

The corporate bond market started to emerge in 2000 in response to the financing needs of enterprises. With legal framework enhancements over time, this market has expanded robustly since 2011 to reach a vibrant state by 2017 in response to a full spectrum of enterprises' financing needs.

1. LEGAL FRAMEWORK

As regulatory stipulated, enterprises can issue corporate bonds by public offerings or private placements.

1.1. Public offerings of corporate bonds

The issuing enterprise shall observe applicable legal provisions stipulated in the Securities Law, Decree No.58/2012/ND-CP (July 20, 2012) promulgating guidelines for implementation of certain articles in the Securities Law and Law for Revision and Supplementation of Certain Articles to the Securities Law, and other regulatory guidelines. Prior to a public offering of corporate bonds, the enterprise must register it with the State Securities Commission.

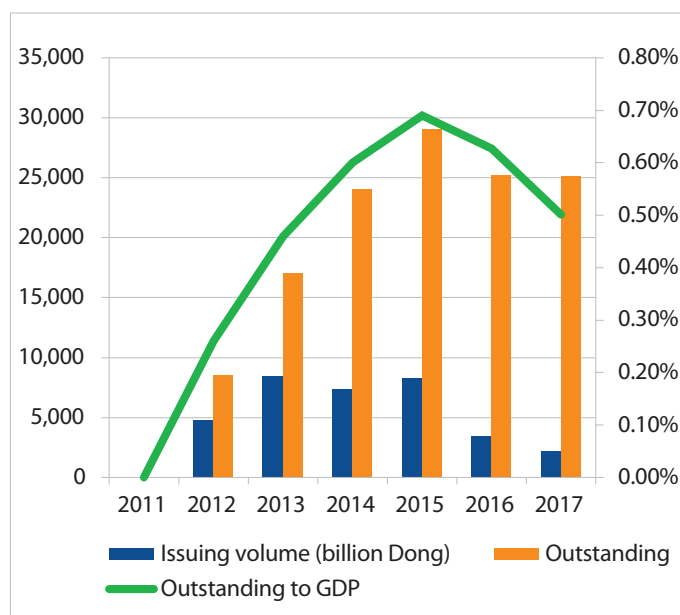
Eligibility conditions for bond issuance: Enterprises that intend to issue corporate bonds by public offerings must satisfy the following conditions: i) have charter capital of VND 10 billion or more, ii) business performance the year prior to the public offering must show a profit and no cumulative business losses up to the year of registration for public offerings, no overdue debt for more than one year, iii) bond issuance and debt repayment plans and use of proceeds are approved by the management board or board members, or company owner(s) and iv) pledge to fulfill issuer obligations to investors regarding conditions for issuance and settlement, protection of legitimate rights and interests of investors and other conditions.

Approval of bond issuance plans: As stipulated in Clause 4, Article 14 of the Securities Law, bond issuance and debt repayment plans and use of proceeds must be approved by the management board or board members or company owner(s).

Information disclosure: Enterprises publicly offering corporate bonds must publicly disclose information in compliance with applicable legislation, including disclosure of ex-ante and ex-post, regular and ad-hoc information and per requests by State regulators bond-holders or investors.

Registration, custody and exchange listing: Bonds issued by public offerings are registered for custody with the VSD. For bonds publicly offered but not listed on an exchange, investors can transact bonds on the Over-the-counter (OTC) market and transfer bond holdings via the

FIGURE 6 Issuing volumes of municipal bonds (2011-2017)



Securities Depository Center. Investors can transact listed bonds via the securities exchanges. Corporate bonds can be listed and traded on both securities exchanges.

1.2. Private placement of corporate bonds

Throughout 2011-2017, private placement of corporate bonds observed legal provisions stipulated in the Securities Law, Corporate Law, Decree No.90/2011/ND-CP (October 14, 2011) on corporate bond issuances (Decree No.90).

On December 4, 2018, the Government issued Decree No.163/2018/ND-CP on corporate bond issuances to replace Decree No.90/2011/ND-CP, effective from February 1, 2019. Decree No.163 is commonly applied for bond issuers that are public and non-public companies.

Eligibility conditions for bond issuances: Enterprises that intend to issue bonds by private placement must satisfy the following basic conditions: i) in operation for at least one year, ii) have audited financial statements prepared for the year prior to issuing year, iii) ensure compliance with limits on the number of investors when issuing and trading as stipulated in Clause 2, Article 4 and Clause 8, Article 6 of Decree No.163, iv) have bond issuance plans endorsed and approved by relevant authorities, v) fully settle services of principals and interest for bonds issued in the three years prior to issuing year, (vi) satisfy all financial prudence thresholds and other operational prudence limits as stipulated in applicable sector-specific legislation.

Bond issuance plan approval authorities: If the issuing enterprise is a public company, the bond issuance and offering plan must be approved by the Annual General Meeting or management board (Point a, Clause 2, Article 10^a of the Law on the Revision and Supplementation of certain Articles to the Securities Law). For other enterprises, bond issuance approval authorities must follow provisions stipulated in the respective company charter.

Information disclosure: To enhance transparency and public disclosure in bond financing, Decree No.163 stipulates the information disclosure regime for issuing enterprises, including information prior to issuance, issuing results, regular and ad-hoc information. Bond-issuing enterprises shall disclose information via their website and HNX's corporate bond-dedicated website.

Bond custody: As stipulated in Decree No.163, corporate bonds must be placed in custody of a licensed custodian organization for management of investors. The licensed custodian organization can include the Securities Depository Center or custodian members.

2. MARKET OVERVIEW (2011-2017)

The total issuing volume of corporate bonds during 2011-2017 was VND 405,167 billion, an annual average of VND 57,900 billion, mostly issued by private placement. While the issuing volume by public offering method reached VND 10,010 billion (VND 1,400 billion annual average), private placement issuances hit VND 395,153 billion (VND 56,500 billion annual average).

Issuance plans: There were 682 registrations for corporate bond issuances in the domestic market during this period, with a total registered issuing value of VND 443 882 billion.

Instruments: In the corporate bond market, products range from one- to 15-year tenors, with two-, three- and five-year tenors most relevant to investment project cycles of enterprises.

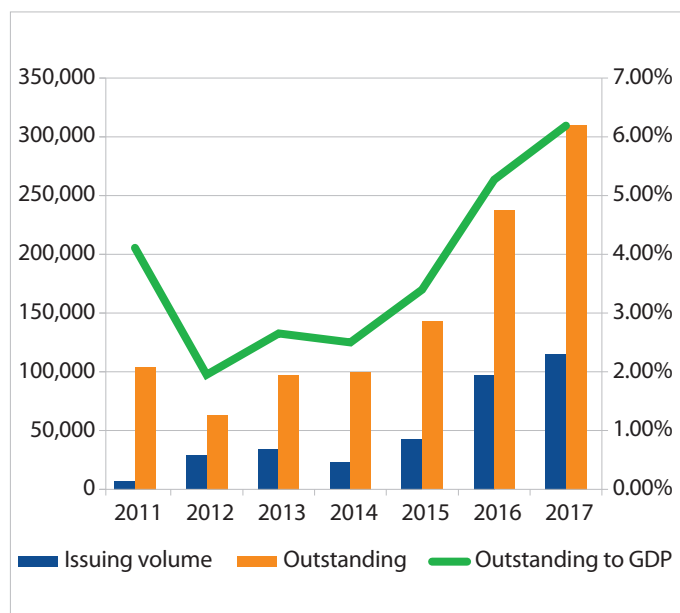
Issuing interest rate: Most issuing enterprises adopted floating rates on the basis of interest rates for one-year deposits offered by State-owned commercial banks plus a margin of 2-4 percent per year.

Issuing methods: Most enterprises issued by the underwriting method, in which a securities firm or commercial bank plays the role of advisory service provider and agent for bond distribution and custody.

Trading and settlement: Secondary market trading of corporate bonds issued by private placement was limited, as investors tended to buy and hold to maturity. Settlement of bond purchases is undertaken via the underwriter.

Information on corporate bonds issued and traded is limited as no centralized information center on corporate bond issuances is in place.

FIGURE 7 Volumes of corporate bonds issued by private placement and bonds outstanding (2011-2017)



PART II.

BOND MARKET OPERATIONS IN 2018

I. GOVERNMENT BOND, GOVERNMENT-GUARANTEED BOND AND MUNICIPAL BOND MARKETS

1. Government bond market

Bond issuance plan: Total National Assembly-approved borrowing to finance the budget deficit and refinance debt principals of the central government in 2018 amounted to VND 341,770 billion, of which Government bonds issued to finance the budget totalled VND 220,970 billion.

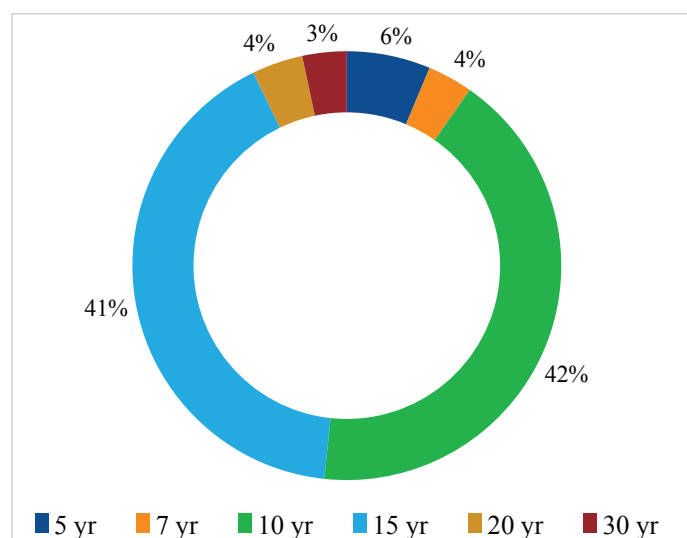
Government bond issuance arrangements: In 2018, the total value of Government bonds to be issued was VND 196,797 billion, with VND 165,797 billion through auctions and VND 31,000 by private placement in the VSS.

The State Treasury conducted 50 Government bond auction sessions, with the total value of calls for bids amounting to VND 292,150 billion, a 36.9 percent jump from 2017. The total value of successful bids was VND 165,797 billion, a 4.1 percent rise from 2017.

TABLE 3 Ratio of bidding/calls for bids by volume

	January	February	March	April	May	June	July	August	September	October	November	December
Year 2017	2.73	3.03	3.13	2.95	3.50	3.75	3.46	4.34	6.01	3.15	3.43	5.69
Year 2018	4.38	4.39	3.15	6.09	4.13	2.79	4.00	1.99	1.91	1.99	1.87	1.66

FIGURE 8 Government bond issuing volumes by tenors (2018)

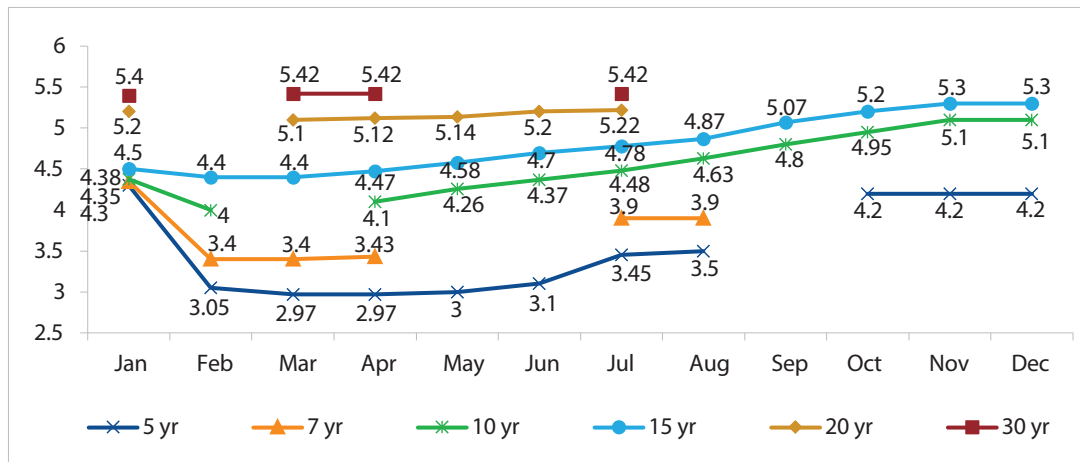


Issuing tenors: All issued bonds were in tenors of five years or more, of which bonds with tenors of 10 years or more accounted for 90.3 percent of the total bond issuing volume and tenors of 20 years or more (7.18 percent).

The average issuing maturity of Government bonds was 12.69 percent in 2018, which lengthened the average time to maturity of the Government bond portfolio to 6.83 years by the end of 2018. This was 0.13 years longer than the average time to maturity of 6.7 years (2017), 0.85 years to 5.98 years (2016) and 7.82 years to 4.87 years (2014).

Issuing interest rates: The Government bond issuance interest rate in 2018 declined across the full spectrum of maturities. By the end of 2018, the issuing rate was 4.2 percent for a five-year tenor, 5.1 percent for a 10-year tenor and 5.3 percent for a 15-year tenor. Compared to the end of 2017, the issuing rate a year later had declined by 0.18 - 0.98 percent for all issuing maturities. The average issuing rate in 2018 was 4.71 percent, 1.27 less than the 5.98 percent per year interest rate in 2017.

FIGURE 9 Interest rate dynamics for all issuing tenors (2018)



Government bond market size: By the end of 2018, the Government bond market amounted to 27.25 percent of GDP, driven by 9.2 percent growth from the end of 2017.

Secondary market listing and trading: The volume of Government bonds listed on the HNX by the end of 2018 amounted to VND 924,855 billion by face value, with 278 listed bonds.

The total value of Government bond trading transactions in the secondary market declined by 2 percent from 2017, of which the value of outright transactions dropped by 12 percent from 2017, while repo transaction values climbed by 11 percent from 2017. Repo transactions accounted for 52 percent of the total value of Government bond trading transactions (6 percent rise from 2017).

The average volume of bond trading transactions in a session was VND 7,432 billion in 2018, a 2 percent fall from 2017.

FIGURE 10 Government bonds outstanding disaggregated by time to maturity of debt portfolio

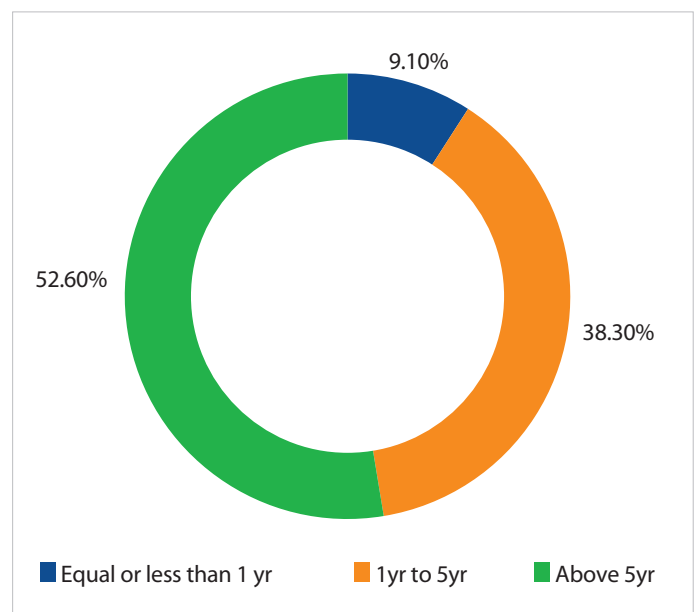


TABLE 4 Government bond transactions values (2017-2018) (Unit: VND billion)

Transaction types	2017	2018
Outright transactions	1,142,022	1,011,027
Repo transactions	1,107,942	1,168,904
Total transaction value	2,249,964	2,179,931
Average transaction value per session	7,613	7,432

Investor base: By the end of 2018, credit institutions held 47.8 percent of Government bonds outstanding (28.9 percent drop from the end of 2015), non-bank financial institutions (including insurance companies, Social Security Agency, investment funds and Deposit Insurance Corporation) held 52.2 percent of Government bonds outstanding. As such, credit institution holdings of Government bonds have continuously declined, while those of non-bank financial institutions have climbed.

2. GOVERNMENT-GUARANTEED BOND MARKET

Issuance plan: In 2018, the Prime Minister approved the total limit on bond issuance guarantees for the two policy banks at VND 27,092 billion (VND 17,422 billion for Vietnam Development Bank and VND 9,670 billion for Social Policy Bank).

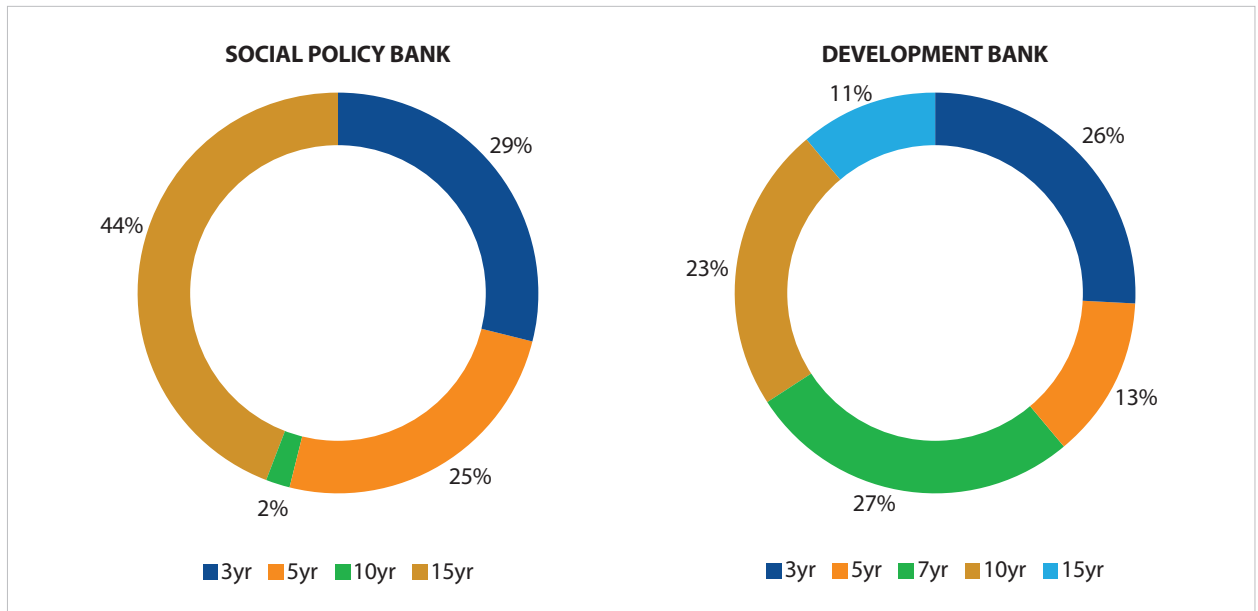
Issuance arrangements: All Government-guaranteed bonds issued by the Social Policy Bank and Vietnam Development Bank were auctioned on the HNX. Data on volumes of calls for bids, bid participation, bids and successful bid volumes are shown in Table 5.

TABLE 5 Auctioning of Government-guaranteed bonds of two policy banks

Unit		Year 2017		Year 2018	
		VSPB	VDB	VSPB	VDB
No. of auction sessions	Session	16	8	13	3
Volume of calls for bids	VND billion	14,316	30,595	28,930	27,654
Volume of participating bids	VND billion	31,436	55,747	26,491	24,446
Volume of successful bids	VND billion	9,250	25,145	9,670	16,545

Issuing volume: In 2018, the Vietnam Development Bank was able to raise VND 16,545 billion (95 percent of its issuing plan for 2018) and meet 65.8 percent of its issuing volume in 2017 (VND 25,145 billion). The Social Policy Bank raised VND 9,670 billion (100 percent of its issuing plan for 2018), a 4.5 percent increase from 2017 (VND 9,250 billion).

Issuing maturities: Vietnam Development Bank's average issuing maturity in 2018 was 5.42 years, in contrast to 8.89 years for the Social Policy Bank.

FIGURE 11 Government-guarantee bond issuance by maturities (2018)

Issuing interest rates: Similar to issuing rates for Government bonds, those of Government-guaranteed bonds in 2018 declined in all maturity spectrums compared to 2017.

For bonds issued by Vietnam Development Bank, the issuing rate fell by 0.09-0.2 percent for five-year tenors, 0.1-1.0 percent (10-year tenors) and 0.2-1.69 percent (15-year tenors).

For bonds issued by Social Policy Bank, the issuing rate dropped by 0.2-1.35 percent for five-year tenors, 0.29-1.2 percent (10-year tenors) and by 0.2-1.7 percent (15-year tenors).

Principal and interest serviced: Government-guaranteed bonds issued by the two policy banks were fully serviced regarding principals and interest during 2018.

The market size for Government-guaranteed bonds by the end of 2018 reached VND 157,738 billion, equivalent to 2.85 percent of GDP in 2018, a 4.6 percent decline from 2017.

Secondary market listing and trading: All Government-guaranteed bonds were listed and traded on the HNX. The total trading volume of Government-guaranteed bonds in 2018 was VND 321,108 billion, 6 percent lower than in 2017, of which the value of outright transactions was VND 111,232 billion – a 8.82 percent rise from 2018. The value of repo transactions was VND 209,876 billion, 12.8 percent lower than in 2017. The average transaction value per session was VND 1,284 billion, a 6 percent dip from 2017.

3. MUNICIPAL BOND MARKET

The total sub-national government budget deficit, approved by the National Assembly for 2018, was VND 12,500 billion.

Issuance arrangements: In 2018, only the Ho Chi Minh City People's Committee issued municipal bonds to raise finance. Its total volume of successful issues amounted to VND 800 billion, in 30-year tenors, through underwriting with an issuing rate of 6.4 percent per year. After issuance, the bonds were registered, listed and traded on the HNX.

Repayment: Municipal bond repayments in 2018 totalled VND 1,540 billion.

The market size of municipal bonds by the end of 2018 reached VND 24,366 billion, equivalent to 0.44 percent of GDP in 2018.

Secondary market listing and trading: Some 87 percent of municipal bonds were listed and traded on the securities market. However, the volume of municipal bond trading remained small in 2018 at VND 585 billion.

TABLE 6 Listing of Government-guaranteed bonds and municipal bonds

No.	Description	Unit	Year 2017	Year 2018
I	Listed value	VND billion	167,394	161,688
1.	Government-guaranteed bonds	VND billion	145,530	141,264
2.	Municipal bonds	VND billion	21,864	20,424

II. CORPORATE BOND MARKET

In 2018, the corporate bond market expanded dynamically compared to previous years, by 53 percent from 2017 and almost 32-fold from 2011, to underline the increased participation from enterprises in bond financing in addition to bank credit financing. Most corporate bonds were issued in 2018 by private placement.

Issuing volume: The total volume of corporate bonds issued in 2018 was VND 238,357 billion, including VND 224,435 billion by private placement and VND 13,922 billion by public offerings.

Issuing maturities: Corporate bonds were issued in a range of tenors from one to 10 years, with concentrations in three to five years, relevant to the implementation cycles of investment projects (40.6 percent of total issuing volume).

Interest rates: Bond issuing rates were determined as fixed or floating. Accordingly, the corporate bond issuing rate was similar to bank loans either as: (i) fixed rates from 4.0-15 percent per year or (ii) floating rates calculated by the average annual term deposit rate of four State-owned commercial banks plus a margin.

Secondary market listing and trading: With respect to listed corporate bonds, 27 were listed on the two securities exchanges HOSE (26) and HNX (one). The total value of listed corporate bonds amounted to VND 35 trillion by face value, with the total trading volume in 2018 hitting VND 36 trillion.

Investor base: By the end of 2018 domestic investors were dominant, holding 97.33 percent of corporate bonds outstanding, while foreign investors held 2.67 percent.

By institutional sectors, credit institutions held 35.8 percent of the issued volume, securities firms (39.4 percent), insurers (3.2 percent), investment funds (1.9 percent), individual investors (5.6 percent), other domestic investors (11.5 percent) and foreign investors (2.67 percent).

PART III.

OBJECTIVES AND POLICIES FOR BOND MARKET DEVELOPMENT IN 2019

I. GOVERNMENT BOND, GOVERNMENT-GUARANTEED BOND AND MUNICIPAL BOND MARKETS

TABLE 7 Tentative volume of Government bond issuances by maturities

Maturity	Tentative volume
5 years	VND 40,000 billion
7 years	VND 30,000 billion
10 years	VND 70,000 billion
15 years	VND 78,000 billion
20 years	VND 20,000 billion
30 years	VND 22,000 billion
Total	VND 260,000 billion

1. GOVERNMENT BOND MARKET

Issuance plan: Total borrowing to finance the central government budget in 2019 will hit VND 391,471 billion, including VND 209,500 billion to finance the budget deficit and VND 181,971 billion to refinance debt principals. Accordingly, the State Treasury announced Government bond issuance plan for 2019 is VND 260,000 billion, with maturity profiles as follows:

Issuance arrangements: In 2019, new regulations will govern the issuance of Government bonds as stipulated in Decree

No.95/2018/ND-CP and guideline circulars, focused on the following points:

The State Treasury has increased the size of bonds to be newly issued or re-opened on tap bonds. Accordingly, some bonds have reached VND 10,000-12,000 billion (prior to 2019, the common bond size was VND 7,000 billion).

Bond switching and buybacks: The State Treasury intends to switch some bonds due in 2020 and 2021 to consolidate the Government bond portfolio.

Issuing volumes: In the first nine months of 2019, the cumulative volume of Government bonds raised totalled VND 160,992 billion (VND 7,000 in Government bonds issued for conversion of loans to the Social Insurance Agency (VSS) in accordance with National Assembly Resolution No.64/2018/QH14).

Issuing interest rates and tenors: In the first nine months of 2019, thanks to favorable market conditions, all Government bonds were issued at tenors of five years or more, of which 93 percent had tenors of 10 years or more. Issuing interest rates declined by 0.60-1.13 percent for five- and 15-year tenors. With the State Treasury ceasing issuances of 20- and 30-year tenors in July 2018, considering secondary interest rates at the end of 2018, the issuing rates for 20- and 30-year tenors declined by 0.6-0.7 percent. By the end of September 2019, interest rates were 3.15 percent for five-year tenors, 3.54 percent for seven-year tenors, 3.97 percent for 10-year

tenors, 4.24 percent for 15-year tenors, 4.9 percent for 20-year tenors and 5.23 percent for 30-year tenors.

The size of the Government bond market was estimated on September 30, 2019 to be 27.9 percent of GDP for 2018 and tentatively 25.1 percent of GDP for 2019.

Secondary market

New legal provisions in Circular No.30/2019/TT-BTC, promulgating guidelines for the registration, custody, listing, trading and settlement of Government debt instruments, Government-guaranteed bonds and municipal bonds stipulate that: i) Primary Dealers are obliged to quote executable bid/ask prices for benchmark bonds on the HNX quotation platform as notified by the MOF, ii) in fulfillment of obligations in executable bid-ask quotations or benchmark bonds, Primary Dealers are permitted to borrow in bond and lending transactions to shortsell debt instruments without sufficient debt instruments on spot, while ensuring sufficient debt instruments deliver on settlement dates. In September 2019, the trading volumes of Government bonds, Government-guaranteed bonds and municipal bonds averaged VND 8,867 billion per session, a 0.12 percent fall from the previous month. The average trading value per session in the first nine months of 2019 was VND 8,921 billion, a 1 percent increase from 2018.

In the secondary market, bond future products were listed and traded from July 4, 2019.

List of Primary Dealers: In 2019, the 15 Primary Dealers announced by the MOF in Decision No.2355/QĐ-BTC (December 18, 2018) are:

No.	Primary Dealers
1	Vietnam Bank for Investment and Development (BIDV) Joint Stock Securities Company
2	Vietnam Joint Stock Foreign Trade Bank (Vietcombank) Securities Co. Ltd.
3	Ho Chi Minh City Joint Stock Securities Company
4	Joint Stock Asia Commercial Bank
5	Vietnam Joint Stock Commercial Bank for Investment and Development (BIDV)
6	Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank)
7	Lien Viet Post Joint Stock Commercial Bank (Lien Viet Postbank)
8	Military Joint Stock Commercial Bank (MB Bank)
9	Vietnam Maritime Joint Stock Commercial Bank (Maritime Bank)
10	Saigon Thuong Tin Joint Stock Commercial Bank (Sacombank)
11	Vietnam Technological and Commercial Joint Stock Commercial Bank (Techcombank)
12	Tien Phong Joint Stock Commercial Bank (TP Bank)
13	Vietnam Bank for Agriculture and Rural Development (VBARD) single-member Co. Ltd
14	Vietnam Joint Stock Foreign Trade Bank (Vietcombank)
15	Vietnam Joint Stock International Bank (VIB Bank)

The rights and obligations of Primary Dealers are stipulated in MOF announcement No.15778/BTC-TCNH (December 18, 2018) (<http://www.mof.gov.vn/webcenter/portal/tpcp>). Key obligations of Primary Dealers in 2019 include:

Buying obligations: In the assessment period (November 1, 2018 to October 31, 2019), Primary Dealers are obliged to buy Government debt instruments at minimum volumes in the primary market as follows: VND 2,500 billion for securities firms and (ii) VND 4,800 billion for commercial banks.

If the State Treasury reduces the volume of debt instrument issuances as announced at the beginning of the year, the minimum buying obligations will be adjusted down accordingly.

Primary Dealers must fulfill 70 percent of these minimum buying volume obligations for tenors of five years or more in accordance with the National Assembly resolution.

Secondary market share obligations: In the assessment period (November 1, 2018 to October 31, 2019), Primary Dealers are obliged to trade Government debt instruments as follows:

For securities firms: The minimum trading volume is 1 percent of the market's total transaction volume.

For State-owned commercial banks, joint stock commercial banks, foreign bank branches, joint venture banks and fully foreign-owned banks: The minimum trading volume is 2 percent of the market's total transaction volume.

Firmly quoting obligations of Primary Dealers are expected to be implemented from 2020.

2. GOVERNMENT-GUARANTEED BOND MARKET

Issuance plan: The total limit on Government guarantees for bond issuances in 2019 approved by the Prime Minister is VND 17,499 billion (VND 13,797 billion for Vietnam Development Bank and VND 3,701 billion for Social Policy Bank).

The two policy banks' total obligation for debt principal repayments for Government-guaranteed bonds in 2019 is VND 28,381 billion (VND 24,679 billion for Vietnam Development Bank and VND 3,701 billion for Social Policy Bank).

Issuance arrangements: In light of limits on Government-guaranteed bond issuances approved by the Prime Minister, the two policy banks shall arrange for issuances of Government-guaranteed bonds through HNX auctions to raise finance for implementation of State credit schemes.

In the first nine months of 2019, the Social Policy Bank issued VND 2,822 billion, while Vietnam Development Bank did not issue Government-guaranteed bonds.

3. MUNICIPAL BONDS

The total sub-national government debt borrowing limit in 2019 is VND 26,780 billion (VND 14,594 billion to finance sub-national budget deficits and VND 12,186 billion to re-finance debt principals). In line with the approved debt borrowing limit, sub-national governments shall select borrowing instruments - including issuances of municipal bonds.

The tentative volume of finance via municipal bond issuances in 2019 is VND 3,000 billion, depending on financing needs of sub-national governments and bond market conditions.

Obligations for due debt principal repayments of municipal bonds in 2019 amount to VND 5,900 billion (VND 1,500 billion by Ho Chi Minh City, VND 3,000 billion by Hanoi, VND 1,100 billion by Danang and VND 300 billion by Bac Ninh).

In the first nine months of 2019, no province issued municipal bonds.

II. CORPORATE BOND MARKET

Issuance plan: The volume of corporate bonds to be issued in 2019 is dependent on enterprises' financing needs and market conditions. It is envisaged the volume of corporate bond issuances in 2019 will exceed those in 2018 due to enterprises' increased demand to finance production and business expansion in the context of moderating credit growth.

Issuance arrangements: In 2019, Vietnam's corporate bond market will take the following development steps:

First, establish and operate a dedicated HNX corporate bond website to collect and publish information as stipulated by Decree No.163 on corporate bond issuances. Accordingly, HNX is responsible for collecting information on the announcements of corporate bond issuances, collating and publishing the information in the dedicated corporate bond website as stipulated in Decree No.163 and the operational regulations outlined in the website.. This site will meet the needs of investors and issuing enterprises seeking information on corporate bond issuances.

Second, enhance infrastructure to support the registration, custody, listing and trading of corporate bonds. This will facilitate enterprises and investors to participate in corporate bond financing through public offerings and private placements to enhance public disclosure and transparency in bond financing.

Third, actively provide systematic information on corporate bond market operations and collaborate with international organizations conducting workshops and conferences focussed on corporate bond market development.

Fourth, launch a handbook as a guideline for bond issuances and provide trainings for enterprises participating in market bond raising, led by VBMA.

Fifth, review and take stock of corporate bond market operations (primary market, secondary market, investor base, market infrastructure, market service providers, supervisory and regulatory regimes, and sanctions) to refine the legal framework for corporate bond market development upon revision of the Securities Law.

Annex 1. List of legal and regulatory documents on Government bonds, Government-guaranteed bonds, municipal bonds

1. 2017 Public Debt Management Law.
2. Government Decree No.95/2018/ND-CP (June 30, 2018) promulgating regulatory guidelines on the issuance, registration, custody, listing and trading of Government debt instruments in securities markets.
3. Government Decree No.93/2018/ND-CP (June 30, 2018) on provincial government debt management.
4. Government Decree No.91/2018/ND-CP (June 26, 2018) on government guarantee issuances and management.
5. MOF Circular No.110/2018/TT-BTC (November 15, 2018) promulgating regulatory guidelines on switching and buybacks of Government debt instruments, Government-guaranteed bonds and municipal bonds in domestic markets.
6. MOF Circular No.111/2018/TT-BTC (November 15, 2018) promulgating regulatory guidelines on the issuance and settlement of Government debt instruments in domestic markets.
7. Government bond trading activities in the secondary market are governed by MOF Circular No.30/2019/TT-BTC (May 28, 2019) promulgating regulatory guidelines on the registration, custody, listing, trading and settlement of Government debt instruments and Government-guaranteed bonds issued by policy banks and municipal bonds.
8. Government bond trading settlement activities are governed by Circular No.46/2017/TT-BTC (May 12, 2017) promulgating regulatory guidelines on settlement for transactions of Government bonds, Government-guaranteed bonds and municipal bonds.
9. HNX Decision No.501/QD-SGDHN (July 5, 2017) promulgating regulations on trading transactions of Government bonds, Government-guaranteed bonds and municipal bonds.
10. HNX Decision No.750/QD-SGDHN (September 1, 2017) promulgating business process for trading transactions of Government bonds, Government-guaranteed bonds and municipal bonds on the HNX.
11. Decision No.1583/QD-NHNN (July 27, 2017) of the Governor of the SBV, promulgating the business process for payment clearance for transactions of Government bonds, Government-guaranteed bonds and municipal bonds via the SBV.
12. Decision No.136/QD-VSD (July 14, 2017) of the VSD, promulgating regulations on payment settlement for transactions of Government bonds, Government-guaranteed bonds and municipal bonds.

Annex 2. Process of Government bond issuance by auctioning

DAY T-4

- Upon request from the State Treasury, HNX issues a notification to all the Primary Dealers and publish the information in HNX website.
- The Primary Dealers can start to send bids immediately upon HNX notification.



WEDNESDAY (T)

- No later than 10:30 a.m., the Primary Dealers submit their bids to HNX, using the bid registration forms specified by HNX.
- If there is no addition issuance: At 11:30 a.m., HNX announces the bond issuance results and sends the list of successful bidders to the State Treasury, VSD and all successful bidders.
- If there is additional issuance: At 15:30 p.m., HNX announces the bond issuance results and sends the list of successful bidders to the State Treasury, VSD and all successful bidders.
- Once HNX has sent the list of successful bidders and successfully bid bonds to VSD, the latter shall perform bond registration.



THURSDAY (T+1)

- In the morning of Thursday, once VSD has registered the bonds and sent the bond registration notice to HNX, HNX shall perform bond listing. The listing covers basic information of the bonds (not including bond holder information), and the first day of trading is specified to be T+2.
- No later than 11:30 a.m.: The Primary Dealers must have completed their payments of the bonds to the State Treasury.
- From 14:00 p.m. – 15:00 p.m.: The State Bank of Vietnam (SBV) send confirmation of payment settlement to the State Treasury.
- Prior to 17:00 p.m.: Upon receipt of full documentation from the SBV, the State Treasury compiles information on the payments by the successful bidders and sends information to VSD for VSD to fulfill procedures for bond custody.



FRIDAY (T+2)

- A.m.: Market participants can start their bond trading transactions.

Annex 3. Process of Government bond issuance by underwriting

(i) Step 1: Announcement

The State Treasury announces the plan for bond issuance by underwriting on the websites of the MOF, State Treasury and securities exchange for organizations to register as the lead underwriter.

(ii) Step 2: Selection of the lead underwriter and/or co-underwriter(s) and announcement of tentative terms and conditions of the bond.

On the basis of registration by organizations, the State Treasury shall select the lead underwriter/co-underwriter and make announcements on the websites of the MOF, State Treasury and securities exchange.

The State Treasury shall sign a framework contract with the lead underwriter/co-underwriter, which covers the tentative terms and conditions of the bond.

(iii) Step 3: Compilation of bond buying demands

Investors shall register to buy bonds from the lead underwriter/co-underwriter or members of the underwriting syndicate.

The lead underwriter and/or co-underwriter(s) shall compile the bond demands from investors before entering into negotiation with the State Treasury.

(iv) Step 4: Bond distribution

In consideration of the negotiation result, the State Treasury shall sign the underwriting contract with the lead underwriter and/or co-underwriter(s) for the lead underwriter/co-underwriter and underwriting syndicate to distribute the bonds.

(v) Step 5: Bond settlement and custody: This process for underwriting shall be the same as for auctioning.

Annex 4. Stepwise process for secondary market trading transactions

1. TRANSACTION STEPS

(1) Put-through trading and order matching

- Market participants often negotiate trading conditions by exchanging messages on the trading platform or other means of communication, then input the results into the system for transaction approval. The time periods for put-through entries are:
 - Am: 08:30 – 11:00.
 - Pm: 13:00 – 14:15.
- As stipulated in Circular No.30/2019/TT-BTC, transaction details must be reported and keyed into the trading system in accordance with the regulations of the stock exchange after being approved by the State Securities Commission.

(2) Order matching: Day T

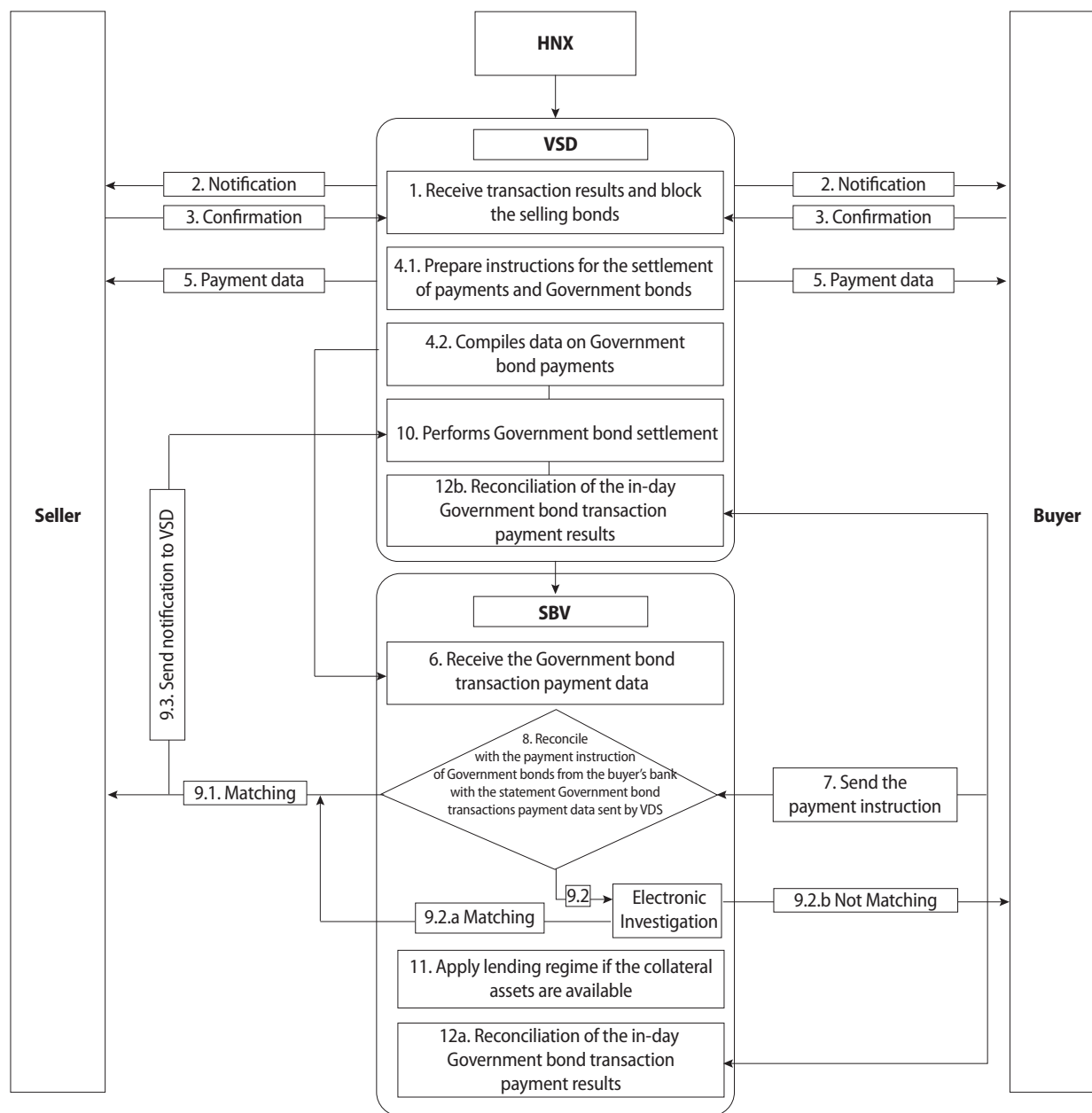
- After a party places an order in the HNX trading system, the counterparty shall confirm the order. If the counterparty does not confirm the order, the order will be removed from the system.

(3) Settlement: Day T+1

- HNX shall compile and send transaction data to VSD at 14:40 p.m. on day T.

Day T:

- **Step 1:** VSD receives the transaction results and blocks the selling bonds
- **Step 2:** VSD notifies the trading transaction results to the sellers and the buyers.



Early on day T+1:

- **Step 3:** The sellers and buyers confirm the trading results with VSD:
 - *No later than 08:30am:* Members send confirmation of the trading transaction results
 - *No later than 08:45am:* VSD performs fixing of transaction errors/settlement removal.
- **Step 4.1:** VSD prepares instructions for the settlement of payments and Government bonds
- **Step 4.2:** VSD compiles data on Government bond payments.
- **Step 5:** VSD sends payment data to the sellers and buyers.
- **Step 6:** VSD sends SBV Banking Operations Center the statement of Government bond transaction payment data using the form specified in Annex 1 of Decision No.1583/QS-NHNN via its e-Portal. The SBV Banking Operations Center shall receive and verify the VSD electronic signature in the statement of Government bond transaction payment data sent by VSD.
 - *Series 1: No later than 08:45 am*
 - *Series 2: No later than 11:00 am*

Intraday in day T+1 (from 9:00 to 15:30):

- **Step 7:** The buyer's bank sends the payment instruction of the Government bonds to the SBV Banking Operations Center.
- **Step 8:** Upon receipt of the payment instruction from the inter-bank system, the SBV core system automatically reconciles with the payment instruction of Government bonds from the buyer's bank with the statement Government bond transaction payment data sent by VSD.
- **Step 9.1:** If the Government bond payment instruction is matched with the data sent by VSD, the Accounting Function of the Banking Operations Center makes a credit entry into the account of the seller's bank opened in the SBV Banking Operations Center.
- **Step 9.2:** If the Government bond payment instruction is not matched with the data sent by VSD, the SBV Banking Operations Center sends the electronic investigation order to the buyer's bank.
 - **Step 9.2a:** If the response to the investigation order is matched, the Accounting Function of the Banking Operations Center makes a credit entry into the account of the seller's bank.
 - **Step 9.2b:** If the response to the investigation order is not matched or no response is received prior to 15:30, the Banking Operations Center returns the payment instruction to the buyer's bank.
- **Step 9.3:** After making a credit entry into the account of the seller's bank, the system sends the Government bond transaction payment result to VSD for each transaction.

- **Step 10:** VSD performs Government bond settlement.
- **Step 11:** For a bank that is temporarily illiquid, the SBV Banking Operations Center can apply its lending regime if collateral assets are available.

End of Day T+1 (from 15:30 to 16:30):

- **Step 12:** The SBV Banking Operations Center and VSD conduct reconciliation of the in-day Government bond transaction payment results.

2. GOVERNMENT BOND PAYMENT SETTLEMENT AND DELIVERY

- In accordance with Circular No.46/2017/TT-BTC (May 12, 2017) promulgating regulatory guidelines for trading settlement of Government bonds, Government-guaranteed bonds and municipal bonds, from August 1, 2017 the Government bond payment settlement function shall be performed by the SBV Banking Operations Center. Accordingly, VSD shall settle Government bond payments for each transaction once the seller has sufficient Government bonds and the buyer has sufficient cash for payment on the settlement date in accordance with the existing regulations. The transaction settlement shall follow the delivery versus payment principle, without off-setting.

Annex 5. Process for foreign investor purchasing Government bonds

1. REGISTRATION PROCEDURES FOR INVESTMENT IN THE GOVERNMENT BOND MARKET

Investments in Government bonds by foreign investors shall follow legal provisions stipulated in the 2013 consolidated Ordinance on Foreign Exchange, Securities Law, Circular No.123/2015/TT-BTC, promulgating guidelines on foreign investment in Vietnam's securities markets, Circular No.05/2014/TT-NHNN, promulgating the opening and use of capital accounts for portfolio investment in Vietnam. In which, foreign investors' registration procedures for investment in Government bonds in Vietnam include two key procedures:

a. Procedure 1: Registration for a securities trading code in VSD

As stipulated in Circular No.123/2015/TT-BTC, the foreign investor wishing to trade Government bonds in Vietnam's market must register for a securities trading code in VSD via a custodian member.

- The registration process is as follows:
 - (i) The foreign investor shall file a full application package as required to the custodian member.
 - (ii) The custodian member shall review the application of the foreign investor and fill information as specified in Annex 1 and Annex 2 of Circular No.123/2015/TT-BTC into VSD's online securities trading code registration system.
 - (iii) Within one working day from the receipt of information filled by the custodian member, VSD shall issue and electronically authenticate the securities trading code for the foreign investor via the custodian member.
 - (iv) Within five working days from the date of receiving the securities trading code, the custodian member must submit the full foreign investor application package to VSD for review and filing.
 - (v) Within five working days from the date of receiving the full application, VSD shall issue the certificate of securities trading code to the foreign investor via the custodian member.
- The application documents for a securities trading code includes:
 - (i) The securities trading code registration form (form and template specified in Annex 1 and Annex 2 of Circular No.123/2015/TT-BTC), enclosing a copy of the written authorization for the custodian member to perform the registration for a securities trading code.

- (ii) Investor identification documentation according to guidelines provided in Annex 12 of Circular No.123/2015/TT-BTC (for institutional investors) or a legitimate copy of a valid passport or other lawful personal identification paper (for individual investors).
 - (iii) If the foreign investor has a trading representative, additionally required documents include written authorization of the representative (using form in Annex 10 of Circular No.123/2015/TT-BTC), information form on the representative (using Annex 11 of Circular No.123/2015/TT-BTC), a lawful copy of the ID card (citizen card) or valid passport or other lawful personal identification paper of the trading representative, a lawful copy of the securities trading professional practitioner license of the trading representative.
- After registration for the securities trading code, the foreign investor is allowed to open a securities custodian account in the custodian bank under the principle that for each securities trading code, only one securities custodian account is opened. The foreign investor is allowed to transfer all the securities portfolio from one custodian account (closing) to another custodian account.

b. Procedure 2: Opening portfolio investment account for a foreign investor

The 2013 Ordinance on Foreign Exchange and Circular No.05/2014/TT-NHNN promulgating guidelines for the opening and use of a portfolio investment account for portfolio investment in Vietnam stipulates the following:

- When conducting portfolio investment in Vietnam, the foreign investor is required to open one portfolio investment account in one permitted custodian bank to implement permitted inflow and outflow transactions. The procedure for the opening and closing the portfolio investment account shall follow the regulations of the permitted bank.
- The portfolio investment capital in foreign currency must be converted to Vietnamese dong for investment through this account.
- If the foreign investor has already opened and is using a portfolio investment account in one permitted bank, but needs to open a further one in another permitted bank, the foreign investor must close the already opened portfolio investment account and transfer all the balance to the new account.
- Custodian bank's responsibilities: When processing the inflow and outflow transactions in the portfolio investment account for the foreign investor, the custodian bank shall be responsible to:
 - Provide guidance to the foreign investor on procedures to open and close the portfolio investment account.
 - Provide regulations, review and store all documents and materials relating to the inflow and outflow transactions conducted in the portfolio investment account presented by the foreign investor to ensure foreign exchange services are provided for appropriate purposes and in compliance with applicable legislation.
 - Sell foreign currencies to the foreign investor on the basis of self-balancing of foreign currencies by the credit institution.

- Foreign investor's responsibilities: When conducting inflow and outflow transactions in the portfolio investment account, the foreign investor shall be responsible to:
 - Present the contents of the inflow and outflow transactions relating to the foreign portfolio investment activities in Vietnam in accordance with requirements and guidance of the permitted custodian bank.
 - Present and supplement dossiers, materials and supporting documents as requested by the permitted custodian bank.

2. INVESTMENT AND TRADING ACTIVITIES OF FOREIGN INVESTORS

- Purchasing Government bonds in the primary market: Foreign investors can register to participate in Government bond auctions via Government bond market Primary Dealers (three securities firms and 12 commercial banks act as Primary Dealers in the Government bond market).
- Trading Government bonds in the secondary market: Foreign investors can conduct transactions by two methods as follows:
 - Transactions via the brokerage of a securities firm
 - Transactions by entrusting capital to a fund management company, or the Vietnam branch of a foreign fund management company.
- Foreign investors participating in the Government bond market must ensure compliance with the upper limit on foreign ownership as stipulated in Decree No.58/2012/ND-CP and Decree No.60/2015/ND-CP on revision and supplementation of certain articles of Decree No.58/2012/ND-CP, promulgating guidelines for certain articles of the Securities Law and other revisions and/or supplementation thereof (if any). Currently, there is no legal limit on foreign investor investments in Government bonds.

3. REMITTANCES ABROAD

If/when in need of remitting abroad capital, profits and any other legitimate incomes from the portfolio investment activities, the foreign investor can use the Vietnamese Dong held in the portfolio investment account to buy foreign currency from the permitted credit institution for remittances abroad.

4. TAX LEGISLATION

Clause 5, Article 3 of Circular No.123/2015/TT-BTC stipulates that the foreign investor must file tax returns, pay and settle taxes, fees and charges relating to its securities investment and trading activities (including Government bonds) or authorize the custodian member, securities trading agent or representative office to act on behalf of the foreign investor to fulfill obligations on tax return filings, payments and settlement of taxes, fees and charges in compliance with applicable legislation of Vietnam.

Annex 6. Public debt and credit ratings of Vietnam

1. Public debt

Public debt data (2014-2018)

	2014	2015	2016	2017	2018
Public debt/GDP	58%	61%	63.7%	61.4%	58.4%
Government debt/GDP	46.4%	49.2%	52.7%	51.7%	50%
Government debt service to State budget revenue (%)	13.8%	14.9%	20.5%	18.3%	17.1%
External debt /GDP	38.3%	42%	44.8%	48.9%	46%
Long- medium-term national external debt service to total exports of goods and services	4.1%	4%	3.9%	6.1%	7%

Note: Data for years from 2014-2018 is based on the Public Debt Bulletin for year 2018.

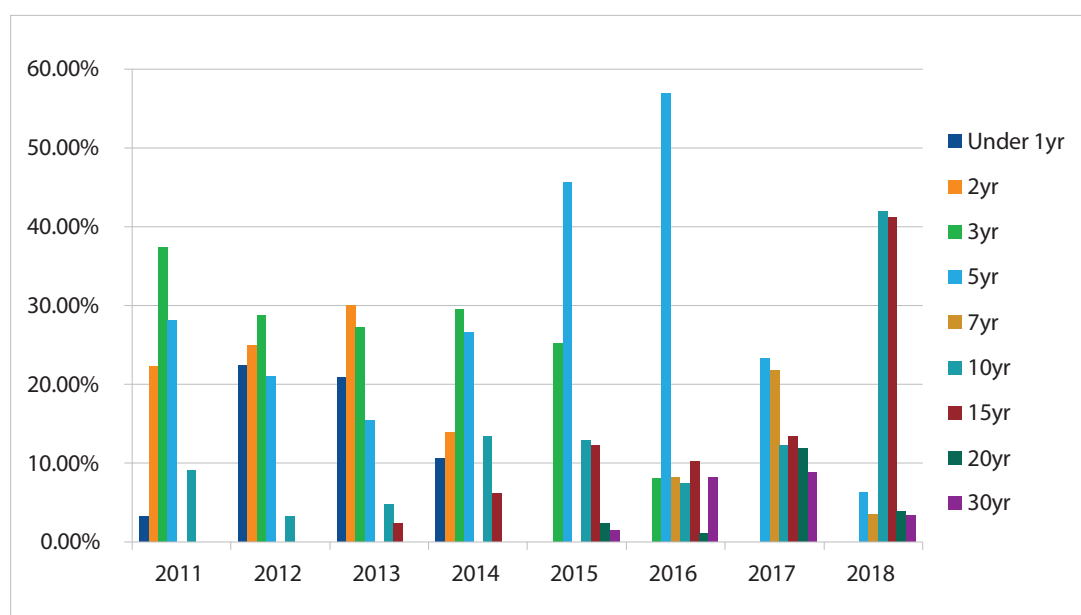
2. Credit ratings for Vietnam

Credit ratings of Vietnam as follows:

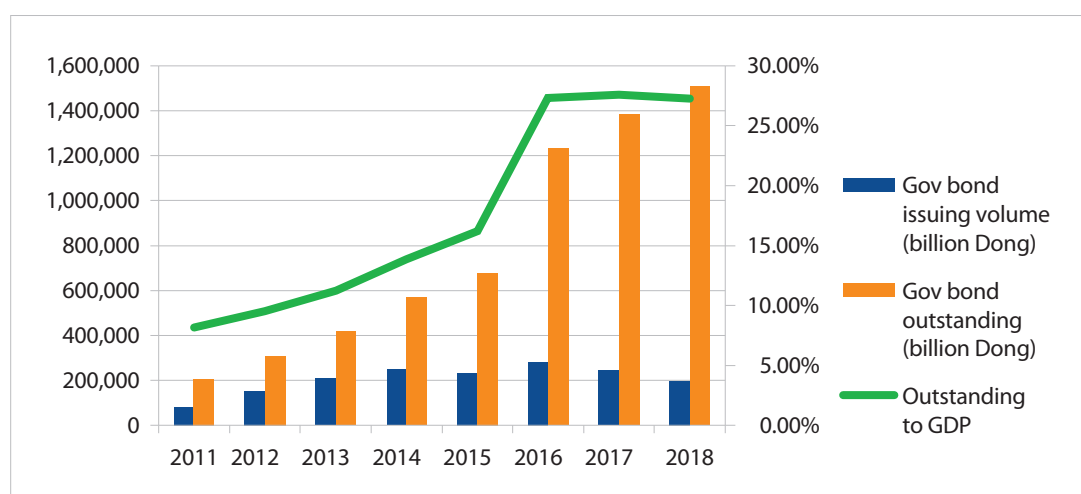
Year	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
2011	B1	Negative	BB-	Negative	B+	Stable
2012	B2	Stable	BB-	Stable	B+	Stable
2013	B2	Stable	BB-	Stable	B+	Stable
2014	B1	Stable	BB-	Positive	B+	Positive
2015	B1	Stable	BB-	Positive	B+	Positive
2016	B1	Stable	BB-	Stable	BB-	Stable
2017	B1	Positive	BB-	Stable	BB-	Positive
2018	Ba3	Stable	BB-	Stable	BB	Stable
2019	Ba3	Stable	BB	Stable	BB	Positive

Annex 7. Vietnam Government bond market (2011-2018)

1. Proportion of Government bonds issued by tenors (2011-2018)



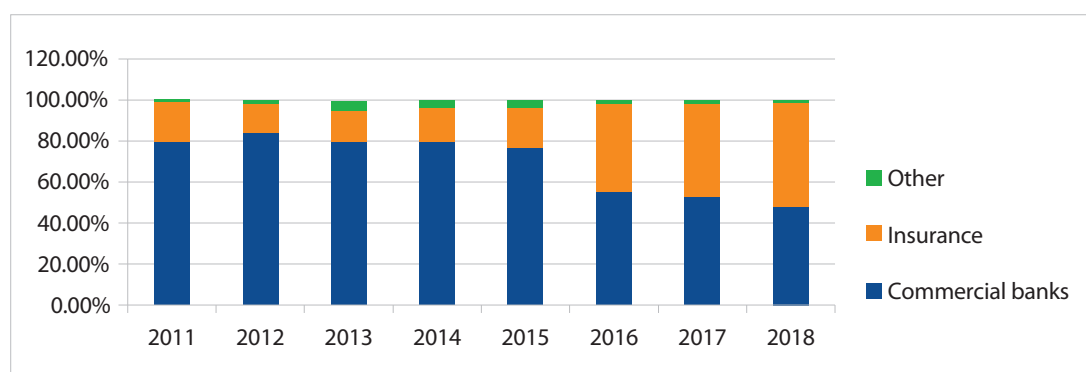
2. Government bond issuing volume and outstanding (2011-2018)



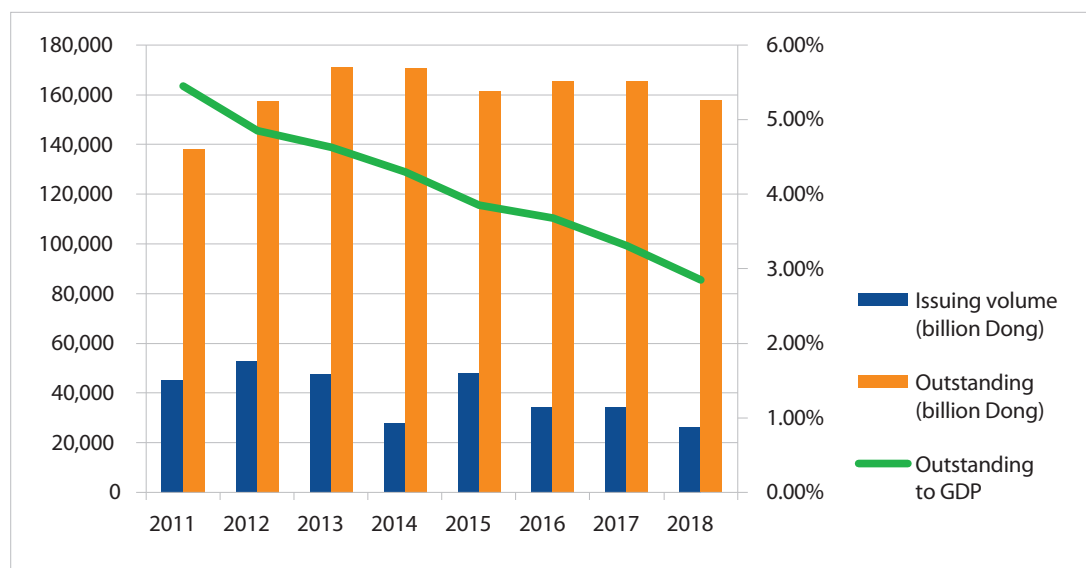
3. Government bond trading volume in secondary market (2011-2018) (Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017	2018
Outright transactions	45,268	15,857	290,847	562,281	504,985	831,220	1,036,792	1,011,027
Repo transactions	827	18,101	57,501	176,177	219,447	459,642	866,481	1,168,904
Total transaction value	46,095	133,958	348,348	738,458	724,432	1,290,862	1,903,273	2,179,931
Average transaction value per session	186	536	1,393	2,990	2,921	5,143	7,613	7,432

4. Composition of investors in Government bond market (2011-2018)



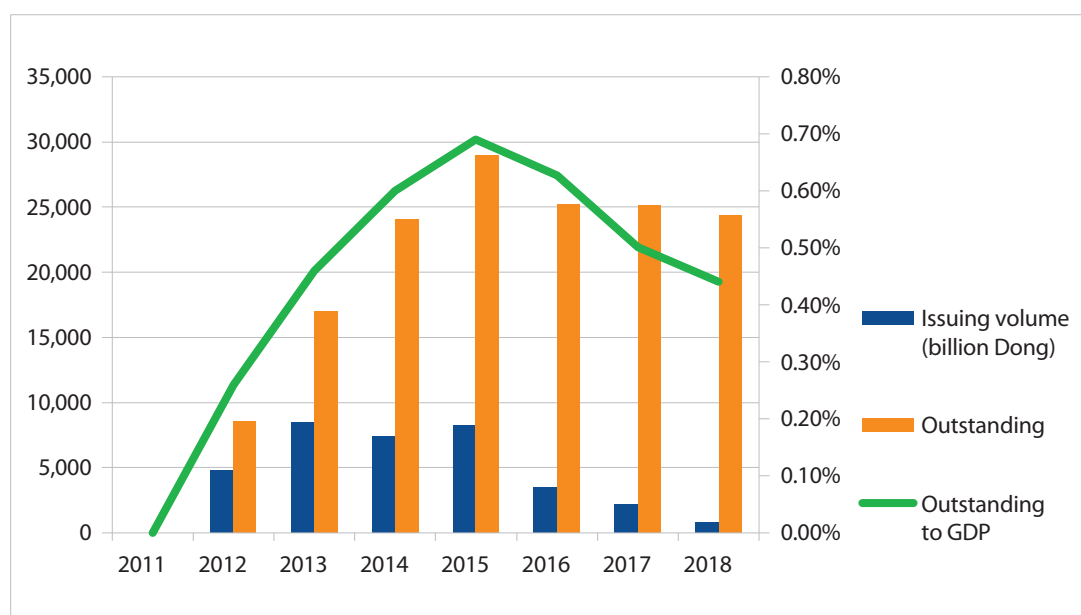
5. Issuing volume and outstanding of Government-guaranteed bonds (2011-2018)



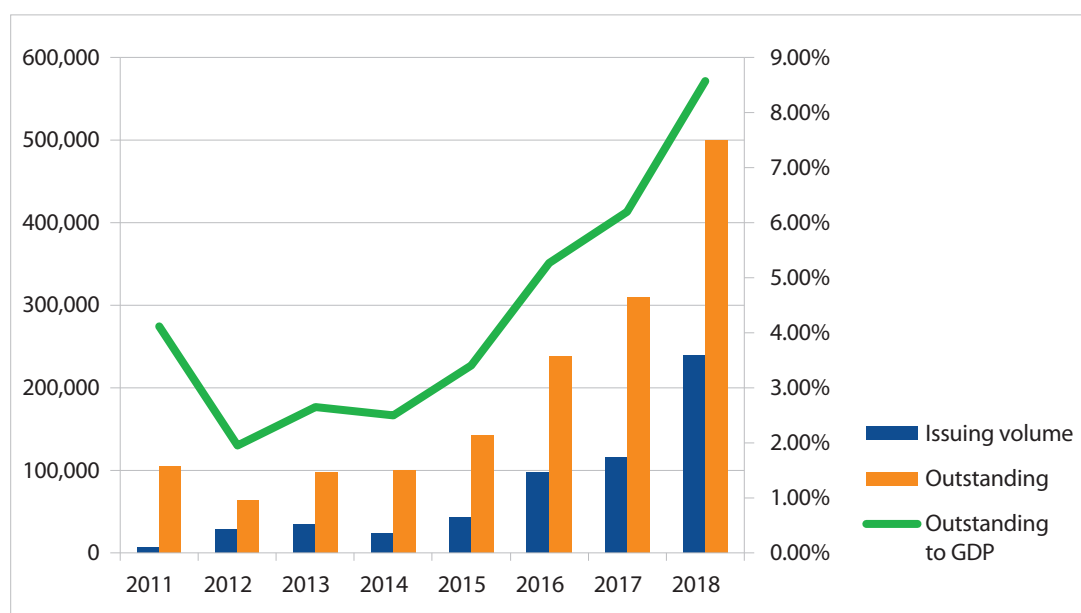
6. Government-guaranteed bond trading volume in secondary market (2011-2018) (Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017	2018
Outright transactions	42,430	45,568	47,405	74,350	98,095	158,725	102,212	111,232
Repo transactions	766	32,188	18,779	69,445	77,932	143,542	240,709	209,876
Total transaction value	43,196	77,756	66,184	143,795	176,027	302,266	342,921	321,108
Average transaction value per session	174	311	265	582	710	1,204	1,372	1,284

7. Municipal bond issuing volume and outstanding (2011-2018)



8. Corporate bond issuing volume and outstanding (2011-2018)





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