

Vietnam Bond Market 2019

Adopting good practices to build a sustainable bond market



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FOREWORD

The year 2019 witnessed the continued successful performance of Vietnam's economy exceeding all 12 key socio-economic development targets. Contributing to this impressive economic outcome, Vietnam's bond market continued to grow rapidly and synchronously, affirming its role as an effective financing channel for the government, enterprises, sub-national governments and State-owned policy banks.

The bond market's size accounted for 40.14 percent of Gross Domestic Product (GDP) by 2019, a five-fold jump from 2011, saw the bond market's total financing amount to VND 581,089 billion - equivalent to 9.62 percent of GDP and an increase of 25.7 percent compared to 2018 as well as 4.6 times higher than in 2011, while improving liquidity in the secondary market. Instruments and the investor base have also become increasingly diversified.

In an effort to systematically inform investors about the bond market and its dynamics, the Ministry of Finance (MOF) developed and published the landmark "Vietnam Annual Bond Market Report in 2018". This report was highly appreciated by the investor community, market members and organizations. For 2019, with support from the World Bank, the Swiss State Secretariat for Economic Affairs (SECO) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the MOF has further enhanced the content, data and format in compiling this "Vietnam Bond Market Annual Report 2019", ensuring a rich and timely source of information for investors on development of Vietnam's bond market.

I hope 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

A handwritten signature in blue ink, appearing to read "Dinh Tien Dzong", is positioned above a horizontal blue line.

Dinh Tien Dzong

LIST OF ABBREVIATIONS

BIDV	Vietnam Bank for Investment and Development
CPI	Consumer Price Index
DIV	Deposit Insurance of Vietnam
GDP	Gross Domestic Product
HNX	Hanoi Stock Exchange
HOSE	Ho Chi Minh Stock Exchange
ICOR	Incremental Capital-Output Ratio
MOF	Ministry of Finance
OTC	Over-the-counter
PPP	Public-Private Partnership
SBV	State Bank of Vietnam
SECO	State Secretariat for Economic Affairs
SSC	State Securities Commission
USD	United States Dollar
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 development, the bond market has evolved into two main branches: i) Government bond, Government-guaranteed bond and municipal 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 (Vietnam Social Policy Bank (VSPB) and Vietnam Development Bank (VDB)) 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 other investors.

The Vietnam Bond Market Association (VBMA) is a socio-professional body established in 2009, 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 Stock Exchange (HNX) and Ho Chi Minh Stock 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 primary issuance, registration, custody listing and trading in the secondary market as well as making interest and principal payments on debt

instruments and clearing debt instrument transactions. Corporate bonds can be registered and deposited at the VSD and listed and traded on the HNX and HOSE.

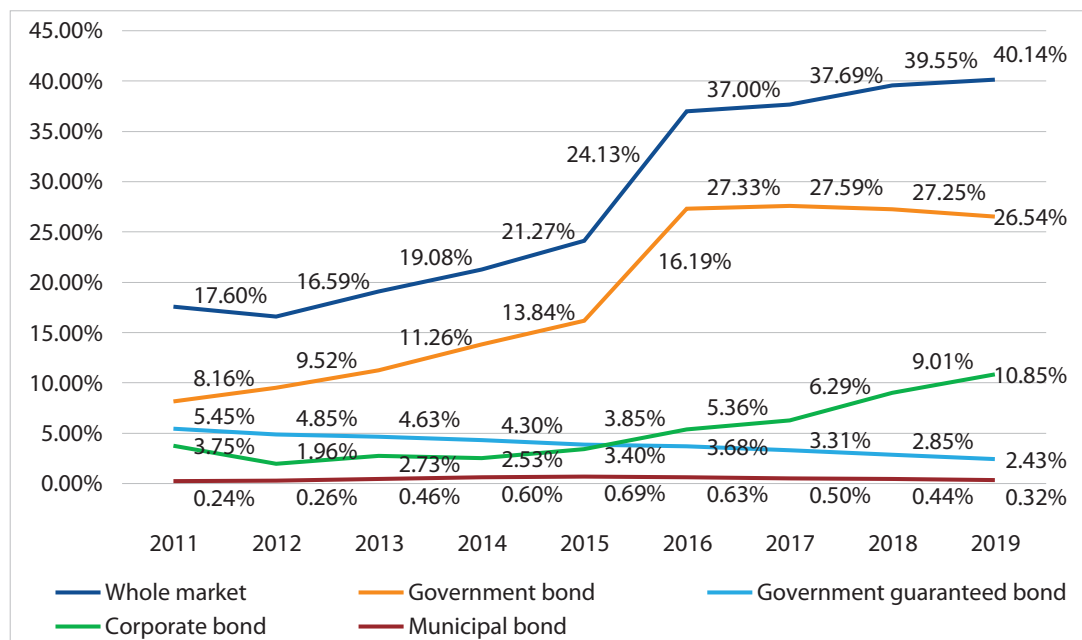
Bond market products have increasingly diversified in response to investors' demands and the increasing debt-carrying capacity of issuers. As for Government bonds, a full range of tenors were observed, ranging from T-bills of less than 364 days to bonds with 30-year tenors, Government-guaranteed bonds 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 of securities firms, fund management companies, investment funds pension funds and credit rating agencies.

The institutional and policy framework has been steadily reformed with increasingly diversified products and steadfast growth in intermediary institutions and market infrastructure. During 2011-2019, the bond market developed in depth and breadth with an annual average growth rate of 24 percent. The Government bond market's 31 percent average annual growth was a particularly eye-catching feature, with the corporate bond market posting an average annual growth rate of 26 percent.

The bond market's size expanded from just 2.82 percent of GDP in 2001 to 17.36 percent in 2011 and upward to 40.14 percent in 2019. By the end of 2019, the Government bond market's size equalled 26.54 percent of GDP, followed by corporate bonds (10.85 percent), Government-guaranteed bonds (2.43 percent) and municipal bonds (0.32 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, custody, interest and principal payments and clearing services performed by VSD. Currently, most Government bonds are issued through auctions, listed and traded on the Government bond market-specialized HNX. Primary Dealers: According to a new regulation in Decree No.95/2018/ND-CP, from 2019 a system of primary dealers was established (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, as exclusive participants in Government bond auctions on behalf of themselves or for their customers.

Currently, key Government bond investors consist of commercial banks, VSS, DIV and insurance companies. In recent years, Government bond holdings amongst commercial banks have declined considerably, while those of non-bank financial institutions (VSS, DIV, insurance companies, investment funds) are trending up, which demonstrates the improving diversity of the investor base within the Government bond market.

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. Currently, the Vietnam Development Bank and Vietnam Social Policy Bank are the two organizations issuing government-guarantee bonds on the HNX.

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 or via 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.

For public offerings of bonds, the State Securities Commission (SSC) issues registration certificates for offerings of bonds and/or provides opinions on plans for offerings of privately-placed convertible bonds, privately-placed bonds with warrants of public companies, directly monitors public offerings and private placements of bonds in public companies.

For privately-placed bonds, the enterprise is not required to be licensed by regulators and only needs to comply with regulations on conditions, issuance process and full disclosure of information as prescribed by law. Regarding international market bond issuances, issuing companies must register with the State Bank of Vietnam (SBV) for compliance with external

commercial borrowing limits and issuing bonds in accordance with regulations of the issuing market.

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. At 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.

Investors must self-assess the risks of investing in bonds, restrictions on trading bonds invested and take responsibility for their investment decisions. The corporate bond market investor base consists of commercial banks as well as insurance companies, securities investment funds, individuals and other organizations. The share of commercial bank holdings of corporate bonds has declined in recent years, a sign of growing interest from other (domestic and external) investors in local corporate bonds, including individual investors. Corporate bonds are investment products suitable for professional investors who have financial capacity, investment experience and an ability to analyze and take risks. As for individual investors, they are advised to only buy corporate bonds when they have the requisite financial knowledge, investment experience, ability to analyze and take risks.

Intermediary and service institutions that assist the development of the corporate bond market are established and developing, including credit ratings agencies, advisory service providers, depository agencies, underwriters for bond issuances as well as bond settlement and private placed corporate bond information center¹.

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

1. GOVERNMENT BOND MARKET

Under the Public Debt Management Law, Government debt instruments - which include Treasury bonds, Treasury bills and national construction bonds - are issued regularly to finance the State budget.

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 203,712 billion during 2011-2018.

1.1 Legal framework

From July 1, 2018, Government bond issuances and transactions are governed by the Public Debt Management Law 2017, Decree No.95/2018/ND-CP (June 30, 2018), promulgating regulations on the issuance, registration, custody, listing and trading of Government debt

¹ The corporate bond information center is based at the HNX.

instruments in securities markets and other guideline circulars (*please refer to Annex 1: the list of legal and regulatory documents governing the issuance and transactions of Government bonds*).

1.2. Market features

Issuance plan: The annual Government bond issued 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 issued 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/en-gb/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).

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.

Issuance auctions: Are conducted on the trading system of HNX. 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.

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. In additional auction sessions, the fresh issued volume can be up to 50 percent of the original offered volume for each bond code, depending on State Treasury cash management and investor demand.

Underwriting method of bond issuances: Is 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 are organizations selected by the MOF to exercise the rights and obligations to issue and trade government debt instruments in the domestic market under provisions of Decree No.95/2018/ND-CP and MOF guidance to create liquidity in the primary and secondary markets for Government bonds.

As for the rights, in addition to being 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 fulfilment 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.

As for the obligations, 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 Annually, the MOF evaluates the performance of obligations to rank and publish the list of Primary Dealers.

Conditions and procedures for registration of Primary Dealers: Commercial banks and securities companies that meet conditions for purchasing Government debt instruments in the primary market and trading on the secondary market with minimum amounts prescribed by the MOF in each period, have contributed sufficient charter capital, have operated for three years or more and aspire to be a Primary Dealer should send a dossier to the MOF within the period of November 1-10 each year. The MOF assesses the satisfaction of conditions specified in Decree No.95/2018/ND-CP and publishes the list of Primary Dealers before December 31 every year.

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 2015). Fixed-rate bonds can have short or long first coupons. In addition to fixed-rate Government bond products, zero-coupon bonds have been issued. In view of Government bond portfolio restructuring and investor base diversification policies, issued volumes of Government bonds with longer tenors of at least five years or more account for an increasing share of annual issued volumes.

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

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.

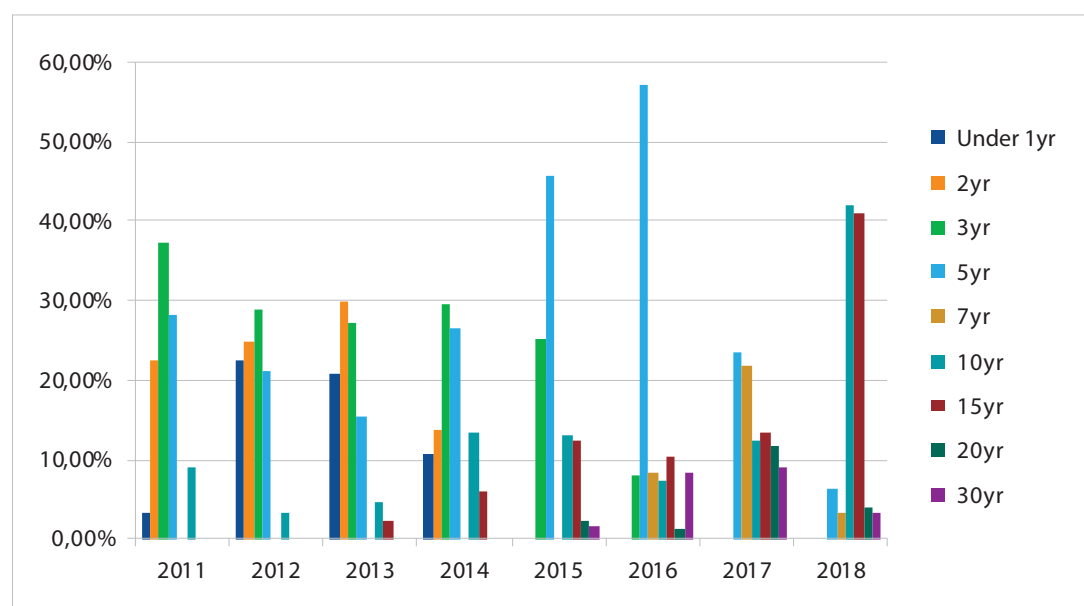
1.3. Market overview (2011-2018)

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 2011-2018, total issued volumes of Government bonds amounted to VND 1,972 trillion (or VND 220 trillion per year on average) accounting for 60-70 percent of annual State budget financing volumes.

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

Instruments: Prior to 2014, Government bonds were mainly issued in short- to medium-term 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 issuances 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, several Government bond sizes have grown to VND 10,000 billion and can be re-opened on tap during three to four-month periods depending on market conditions. Bond sizes are forecast to further expand to establish benchmark bonds suitable for market development.

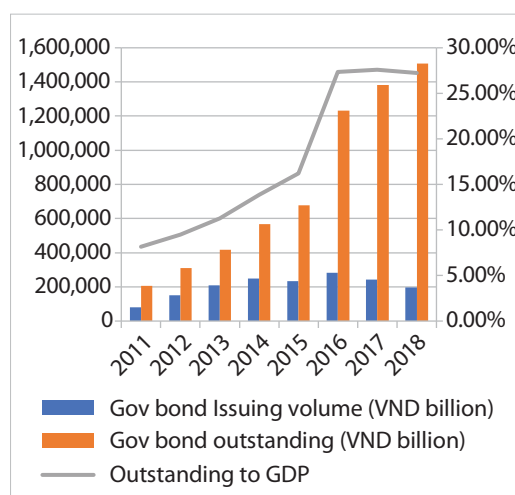
FIGURE 2 Proportion of Government bonds issued by tenors (2011-2018)



Issuing methods: Government bonds during 2011-2018 were mainly issued by HNX auctions. To launch new market products (bonds with 20- and 30-year tenors, zero-coupon bonds), the State Treasury may arrange underwriting method issuing sessions before conducting auctions.

The secondary market for Government bonds gradually emerged with increasing volumes across 2011-2018. The average transaction volume in 2018 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

FIGURE 3 Government bond issuing volumes and outstanding (2011-2018)



increasing shares of repo transactions, while outright transactions fell from 90 percent of total transactions in 2011 to 48 percent in 2018.

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 a shortened period from the date of bond auction to the date the bond can be traded from 10 days (T+10 in 2009) to only two days (T+2 from 2015).

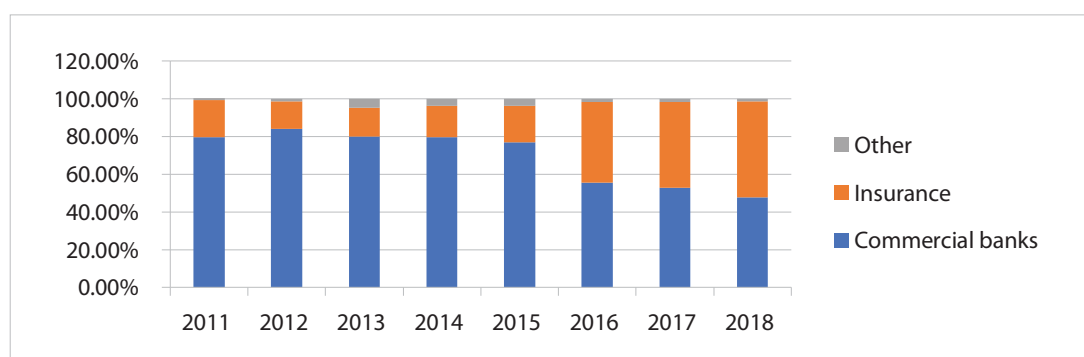
TABLE 1 Government bond trading volumes in secondary market (2011-2018) (Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017	2018
Outright transactions	45,268	115,857	290,847	562,281	504,985	831,220	1,036,792	899,244
Repo transactions	827	18,101	57,501	176,177	219,447	459,642	866,481	958,933
Total transaction value	46,095	133,958	348,348	738,458	724,432	1,290,862	1,903,273	1,858,177
Average transaction value per session	186	536	1,393	2,990	2,921	5,143	7,613	7,432

Buyback and switching operations: The State Treasury during 2011-2018 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 2014-2018 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 pre-2016 when the majority of Government bond market investors were commercial banks, this player's holdings have since decreased over the years (76.7 percent in 2015, 55.4 percent (2016), 52.7 percent (2017) and 47.8 percent in 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 (2011-2018)



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 issued volume of VND 38 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. 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 (VDB and VSPB) 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 (2011-2018)

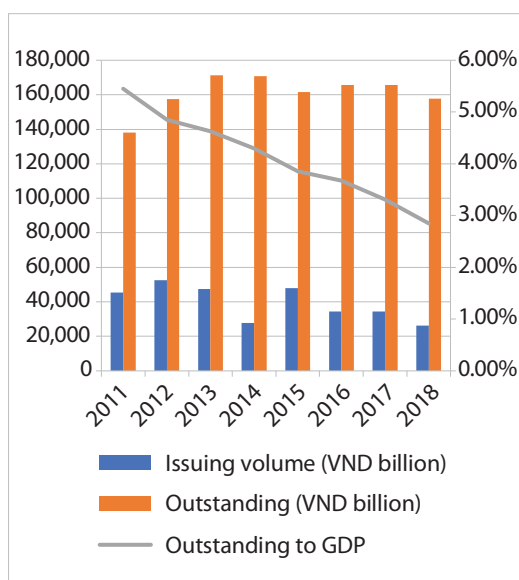
During 2011-2018, only the two policy banks were Government-guaranteed for bond issuances to finance State credit schemes. The total issued volume of Government-guaranteed bonds during this period was VND 270,768 billion, equivalent to an average VND 38,681 billion per year, essentially responsive to policy banks' financing needs for implementation of State-targeted credit schemes.

Issuance plan: In light of the Prime Minister-approved annual bond issuing limits, the two policy banks shall announce pre-issuance information on the HNX and home websites. Information for disclosure includes issued 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

FIGURE 5 Issuing volumes of Government-guaranteed bonds (2011-2018)



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 VSPB typically conducting auctions on Mondays and VDB 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 2011-2018, trading volumes have generally increased in the secondary market as shown in Table 2.

TABLE 2 Transaction volumes of Government-guaranteed bonds (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

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

3. MUNICIPAL BOND MARKET

Alongside development of the Government bond market, the local government bond market is gradually developing in response to infrastructure financing needs, with Ho Chi Minh City the first sub-national government to issue municipal bonds in 2003. By now, 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 have 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 issued volume must be within the annual sub-national government debt limit approved by the National Assembly. Issuing municipal bonds is one of the means to raise capital for local governments under provisions of the State Budget Law and Law on Public Debt Management.

3.2. Municipal bond market overview (2011-2018)

The total issued volume of municipal bonds in the primary market amounted to VND 35,384 billion during this period, equivalent to an annual average of VND 5,054 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 issued volume of VND 18,110 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, 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 the sub-national government.

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

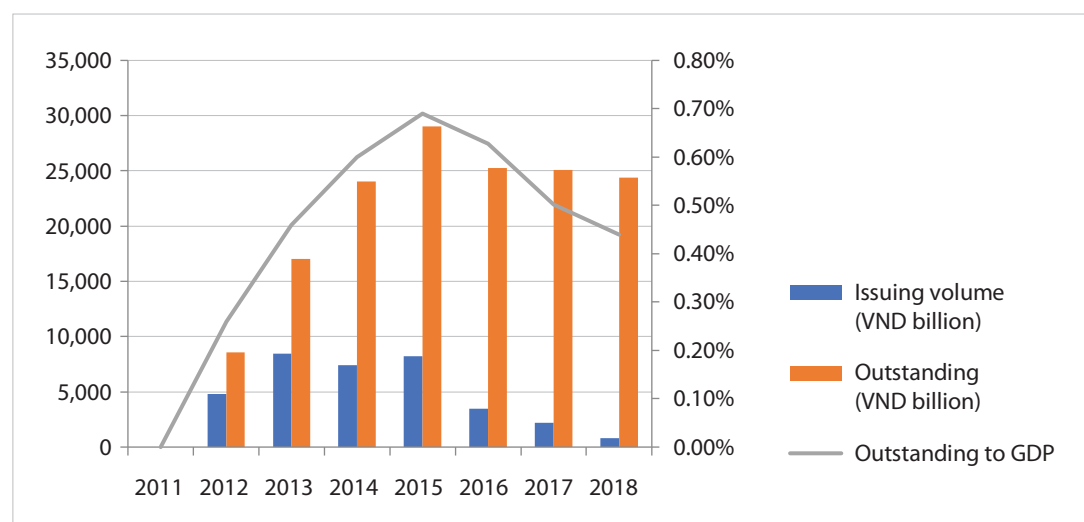
Issuing method(s): Most sub-national governments issue municipal bonds through the underwriting method. Only Ba Ria-Vung Tau, Danang and Hanoi have issued bonds through HNX auctions.

TABLE 3 Transaction volumes of municipal bonds (2011-2018) (Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017	2018
Outright transactions	-	-	2,434.13	15,968	2,902.64	1,284	3,018	551
Repo transactions	-	-	-	1,455	2,614.60	336	752	33.54
Total transaction value	-	-	2,434.13	17,423	5,517.24	1,620	3,770	585
Average transaction value per session	-	-	9.74	70.54	22.25	6.45	15.08	2.34

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.

FIGURE 6 Issued volumes and outstanding of municipal bonds (2011-2018)



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, since 2011 this market has expanded robustly and since 2017 it has reached a vibrant state 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

During 2011-2018, issuing enterprises observed applicable legal provisions stipulated in the Securities Law, Decree No.58/2012/ND-CP (July 20, 2012) and promulgating guidelines for implementation of certain articles in the Securities Law and Law for Revision and Supplementation of Certain Articles to the Securities Law, Decree No.60/2012/ND-CP amending and supplementing a number of articles of Decree No.58/2012/ND-CP and Circular No.162/2015/TT-BTC (October 26, 2015) of MOF guidelines on public offerings of securities. Prior to a public offering of corporate bonds, the enterprise must register it with the SSC.

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, no cumulative business losses up to the year of registration for public offerings and no overdue debt for more than one year, iii) bond issuance and debt repayment plans as well as 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 2, 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 or bondholders.

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 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 2011-2018, 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 three consecutive years prior to the issuing year and (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 of Shareholders 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 register and be placed in custody of a licensed custodian organization for management of investors. Licensed custodian organizations can include VSD or organizations that are members of VSD.

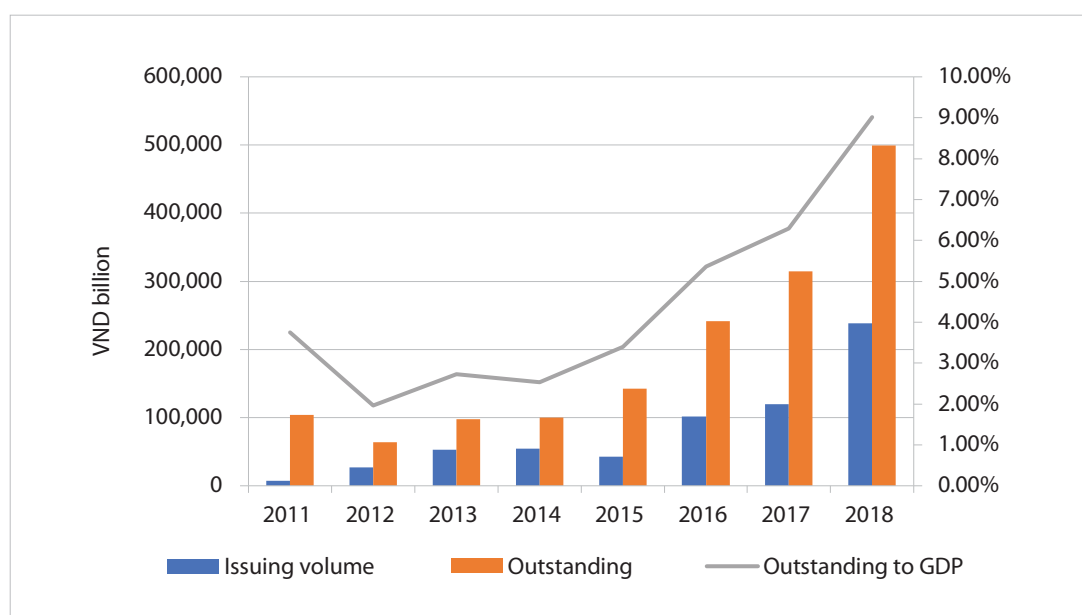
2. OVERVIEW OF CORPORATE BOND MARKET (2011-2018)

The total issued volume of corporate bonds during 2011-2018 was VND 643,524 billion, an annual average of VND 80,440 billion, mostly issued by private placement. While the issued volume by public offering method reached VND 23,936 billion (VND 3,000 billion annual average), private placement issuances hit VND 619,588 billion (VND 77,448 billion annual average).

Issuance plans: There were 1,676 registrations for corporate bond issuances in the domestic market during this period, with a total registered issuing value of VND 1,146,924 billion.

Instruments: In the corporate bond market, products range from one- to 15-year tenors, with two-, three- and five-year tenors most common and 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.

FIGURE 7 Volumes of corporate bonds issued and bonds outstanding (2011-2018)

Issuing methods: Most enterprises issued by the non-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 transactions of corporate bonds issued in the market is limited as the corporate bond-dedicated website has yet to gather information on corporate bonds trading.

Investor base: Investors that purchase corporate bonds are mainly commercial banks (40-45 percent of total bonds outstanding), securities firms (35-40 percent of total bonds outstanding), insurance companies and retail investors.

IV. GREEN BOND MARKET

The green bond market in Vietnam began to form in 2016 with Ho Chi Minh City and Ba Ria-Vung Tau province piloting the issuance of green municipal bonds to raise capital for numerous environmental protection projects as part of respective budget expenditure mandates.

Development of the green bond market is one of the key steps to develop the bond market as per the bond market roadmap for 2017-2020, with a vision to 2030 approved by the Prime Minister in Decision No.1191/QĐ-TTg (August 14, 2017).

1. LEGAL FRAMEWORK

In order to meet the capital mobilization needs of the Government, local governments and enterprises in servicing rapid and sustainable economic development, the legal framework on green bond issuances encompassing Government bonds, municipal bonds and corporate bonds has been issued as a basis for the Government, local authorities and businesses to raise capital through issuing green bonds.

1.1. Issuance of green government bonds

In Decree No.95/2018/ND-CP (June 30, 2018) on the issuance, registration, depository, listing and trading of government debt instruments on the stock market, Article 21 stipulates the process for issuing green government bonds and the content for issuing green government bond schemes, in which the issuance, registration, depository, listing and trading of green government bonds are similar to those of Government debt instruments.

1.2. Issuance of green municipal bonds

In Decree No.93/2018/ND-CP (June 30, 2018) stipulating debt management of local governments, Article 8 states the issuance of green bonds must comply with the same regulations for ordinary municipal bonds and provincial People's Committees must report lists of projects using green municipal bond issuance capital under MOF guidance. Accordingly, the issuance of green municipal bonds must comply with a scheme approved by the Prime Minister and guided by the MOF.

1.3. Issuance of green corporate bonds

Decree No.163/2018/ND-CP (December 4, 2018) stipulating the issuance of corporate bonds that regulates the issuance of green corporate bonds includes the principle of issuance and use of proceeds, information disclosure. The issuance, registration, deposit, listing and transactions of green corporate bonds are similar to those of ordinary corporate bonds.

2. IMPLEMENTATION PROGRESS

In 2016, Ho Chi Minh City issued VND 3,000 billion in 15-year municipal bonds to raise capital for projects as part of respective budget expenditure mandates, including 11 environmental protection projects. Also in 2016, Ba Ria-Vung Tau province issued VND 500 billion in five-year bonds to raise capital for projects under local budget spending, including one environmental protection project.

Prior to 2018, however, the Government and enterprises have not implemented the issuance of green bonds. In order to develop and implement new regulations on the issuance of green bonds (green government bonds, green local government bonds, green corporate bonds), the MOF has actively participated in forums on developing the green bond market regionally and globally. Moreover, the MOF engaged with market participants and enterprises on the need to invest and issue green bonds as well as achieve the ASEAN Green Bond Standard and ICMA Green Bond Principles as the basis for issuance. The list of green projects and green taxonomy was also studied for development in accordance with common practices and current context of Vietnam.

PART II

BOND MARKET OPERATIONS IN 2019

I. ECONOMIC DEVELOPMENTS IN 2019

1. MACROECONOMIC SITUATION IN 2019

In 2019, the global economy and trade growth slowed, while trade tensions among major economies increased. The domestic economy faced difficulties caused by natural disasters and climate change. However, the economy continued to post strong growth with stable macroeconomic indicators.

GDP growth in 2019 hit 7.02 percent (with first, second, third and fourth quarter growth at 6.82, 6.73, 7.48 and 6.97 percent, respectively), exceeding the National Assembly target of 6.6 to 6.8 percent. This year's growth rate is lower than 2018's 7.08 percent, but higher than seen during 2011-2017.

The quality of economic growth improved in step with strong GDP growth and other stable macroeconomic indicators. The average Consumer Price Index (CPI) in 2019 increased by 2.79 percent compared to the average in 2018, lower than the target set by the National Assembly and was the lowest CPI in the past three years. State budget revenues exceeded 9.9 percent of the estimate, the State budget deficit was controlled at 3.36 percent and the public debt-GDP ratio was 54.8 percent.

Mobilizing capital from society reached 33.9 percent of GDP, of which the non-State sector accounted for 46 percent. Foreign direct investment reached USD 38 billion, a 7.2 percent increase compared to 2018, realized capital reached USD 20.4 billion (USD 19.1 billion in 2018) and the ICOR coefficient in 2019 was 6.07 (average of 6.14 during 2016-2019).

2. FINANCIAL AND MONETARY MARKET SITUATION

Vietnam's stock market maintained good growth momentum. By the end of 2019, stock market capitalization reached VND 4,390 trillion, a rise of 11.5 percent - equivalent to 72.6 percent of GDP. Total capital mobilization in 2019 hit VND 313.9 trillion, a 12.6 percent jump from the previous year. The size of the capital market at the end of 2019 had reached 112.76 percent of GDP, up 10.8 percent in absolute value compared to 2018.

In the bank credit market, 2019's credit growth was 13.65 percent, with total means of payment and capital mobilization of credit institutions up by 14.78 and 14.82 percent, respectively compared to 2018.

The foreign exchange market was stable, the exchange rate policy was operated flexibly and foreign reserves also increased.

II. 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 2019 amounted to VND 391,471 billion, of which Government bonds issued through auctions to finance the budget totalled VND 242,000 billion.

Government bond issuance arrangements: In 2019, the total value of Government bonds to be issued was VND 239,769 billion, an increase of 41.2 percent compared to 2018, with VND 197,769 billion through auctions and VND 42,000 billion by private placement.

The State Treasury conducted 48 Government bond auction sessions, with the total value of calls for bids amounting to VND 246,250 billion, a 15.7 percent decline from 2018. The total bidden amount was VND 793,970 billion, up by 22 per cent compared to 2018. The total value of successful bids was VND 197,769 billion, a 19.2 percent rise from 2018.

TABLE 4 Ratio of bidding/calls for bids by volume (2018-2019)

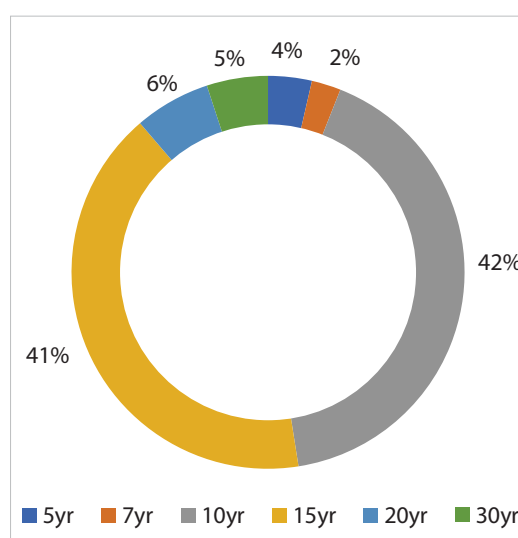
	January	February	March	April	May	June	July	August	September	October	November	December
Year 2018	4.26	3.73	2.45	2.61	2.11	2.18	2.33	1.63	1.78	2.05	1.78	1.66
Year 2019	3.48	3.59	2.13	2.08	2.81	4.91	3.26	4.56	4.41	3.77	2.99	2.43

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 94 percent of the total bond issued volume and tenors of 20 years or more (11.3 percent).

The average issuing maturity of Government bonds was 13.44 percent in 2019, which lengthened the average time to maturity of the Government bond portfolio to 7.42 years by the end of 2019. This was 0.59 years longer than the average time to maturity of 6.83 years (2018), and 1.44 years to 5.98 years (2017).

Issuing interest rates: The Government bond issuance interest rate in 2019 declined across the full spectrum of maturities. By the end of 2019, the issuing rate was 2 percent for a five-year tenor, 3.48 percent for a 10-year tenor, 3.65 percent for a 15-year tenor, 4.02 percent for a 20-year tenor and 4.55 percent for a 30-year tenor. Compared to the end of 2018,

FIGURE 8 Government bond issuing volumes by tenors (2019)



the issuing rate a year later had declined by 2 to 4.55 percent for all issuing maturities. The average issuing rate in 2019 was 4.51 percent, 0.2 less than the 4.71 percent, per year interest rate in 2018.

In the Government bond market, interest rates tended to decrease due to the positive impacts from the macroeconomic situation and money market interest rates, whereby investors increased demand for government bonds. The ratio of bidding/calls for bids in 2019 maintained at two to four and each bidding session attracted from nine to 15 participants.

FIGURE 9 Interest rate dynamics for all issuing tenors (2019)

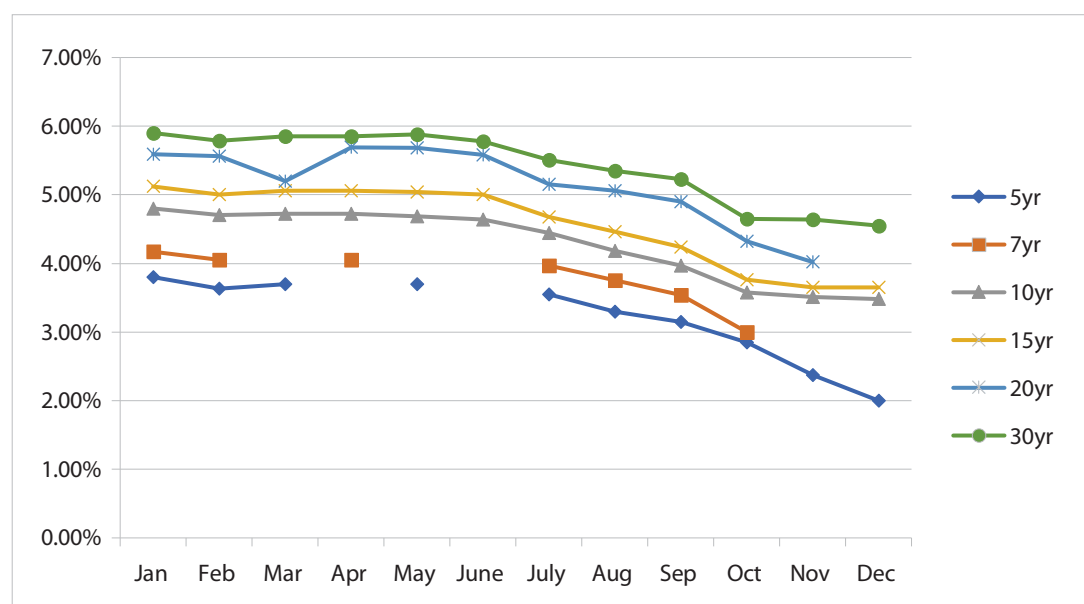
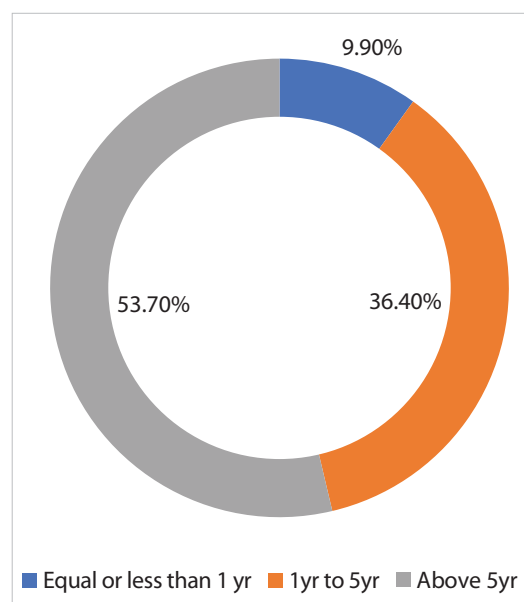


FIGURE 10 Government bonds outstanding disaggregated by time to maturity of debt portfolio



Government bond market size: By the end of 2019, the Government bond market amounted to 26.54 percent of GDP, driven by 6.1 percent growth in absolute value compared to 2018.

Secondary market listing and trading: The volume of Government bonds listed on the HNX by the end of 2019 amounted to VND 987,814 billion by face value, with 172 listed bond codes.

The total value of Government bond trading transactions in the secondary market increased by 3.36 percent from 2018, of which the value of outright transactions climbed by 14.4 percent from 2018, while repo transaction values dropped by 7 percent from 2018. Repo transactions accounted for 46 percent of the total value of Government bond trading transactions (6 percent decline

from 2018). Government bond trading volumes increased in 2019 due to the downward trend in interest rates, which made bond prices increase and allow investors to record profits when trading on the market.

The average volume of bond trading transactions in a session was VND 7,682 billion in 2019, a 3.4 percent rise from 2018.

TABLE 5 Government bond transactions values (2018-2019) (Unit: VND billion)

Transaction types	2018	2019
Outright transactions	899,244	1,028,768
Repo transactions	958,933	891,824
Total transaction value	1,858,177	1,920,592
Average transaction value per session	7,432	7,682

Investor base: In 2019, the MOF focused on issuing government bonds with tenors of five years or more to meet the investment needs of non-banking financial institutions, such as social insurance, deposit insurance and insurance companies. With long-term funding, non-bank financial institutions actively participated in bidding for Government bonds, creating a stable demand for tenors of 10 years or more. By the end of 2019, credit institutions held 43.87 percent of Government bonds outstanding (a 3.93 percent drop from the end of 2018), while non-bank financial institutions (insurance companies, investment funds, Social Security Agency and Deposit Insurance Corporation) held 56.13 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.

Government bond switches: With the goal to restructure the Government bond debt portfolio in a sustainable manner and form large-scale Government bond codes to increase liquidity in the secondary market, in 2019 the MOF implemented five switch auctions of Government bonds to extend the remaining maturity of the Government bond portfolio, reduce pressure on refinancing and cut the debt peak for the State budget. Accordingly, the MOF successfully switched VND 2,830.5 billion in source bonds with remaining maturities of about 1.17 year with destination bonds having an average maturity of 13.09 years to restructure the Government debt portfolio.

Government bond futures: On July 4, 2019, five-year Government bond future products were officially traded on the HNX to offer more hedging products for investors. Clearing and settlement of Government bond futures is implemented at the VSD. The average trading volume of this product reached 10 contracts per session. As of December 31, 2019, VSD had cleared and made settlement on five Government bond future contracts, of which two contracts were expired.

2. GOVERNMENT-GUARANTEED BOND MARKET

Issuance plan: In 2019, the Prime Minister approved the total limit on bond issuance guarantees for the two policy banks at VND 17,499 billion (VND 13,797 billion for Vietnam Development Bank and VND 3,702 billion for Vietnam Social Policy Bank).

Issuance arrangements: All Government-guaranteed bonds issued by the Vietnam 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 6.

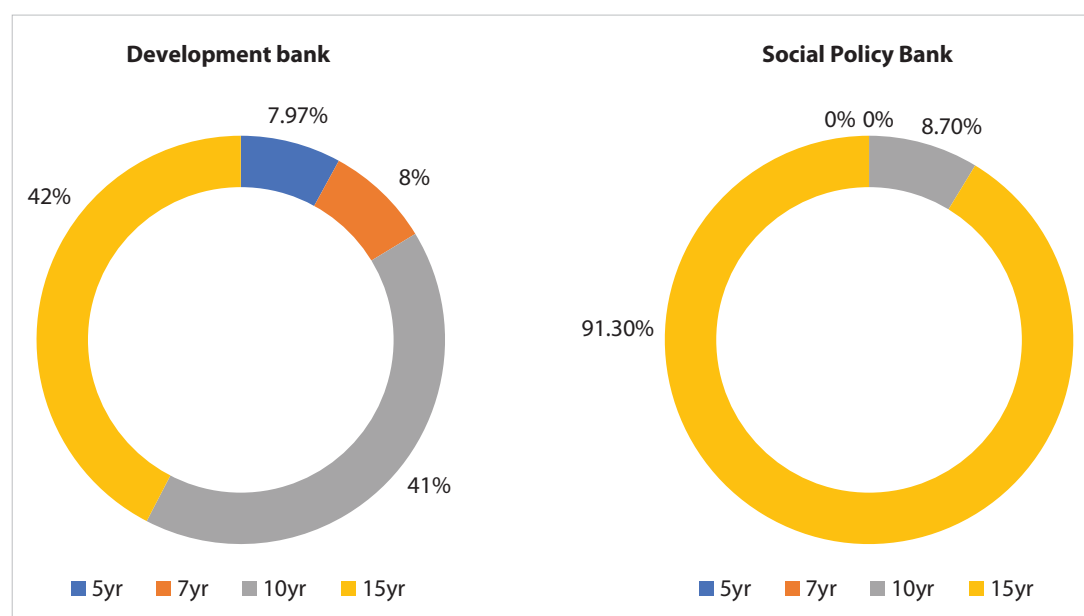
TABLE 6 Auctioning of Government-guaranteed bonds of two policy banks

Unit		Year 2018		Year 2019	
		VSPB	VDB	VSPB	VDB
No. of auction sessions	Session	22	3	4	4
Volume of calls for bids	VND billion	41,430	27,654	4,880	18,947
Volume of participating bids	VND billion	34,786	24,446	15,674	46,145
Volume of successful bids	VND billion	9,670	16,545	3,702	13,797

Issued volume: In 2019, the Vietnam Development Bank raised VND 13,797 billion (100 percent of its issuing plan for 2019) and was equivalent to 83.4 percent of its issued volume in 2018 (VND 16,545 billion). The Vietnam Social Policy Bank raised VND 3,702 billion (100 percent of its issuing plan for 2019), equivalent to 38.3 percent of its issued volume in 2018 (VND 9,670 billion).

Issuing maturities: Vietnam Development Bank's average issuing maturity in 2019 was 11.47 years, in contrast to 14.57 years for Social Policy Bank.

FIGURE 11 Government-guarantee bond issuance by maturities (2019)



Issuing interest rates: Similar to issuing rates for Government bonds, those of Government-guaranteed bonds in 2019 declined in all maturity spectrums compared to 2018.

For bonds issued by Vietnam Development Bank, the issuing rate fell by 1.55-1.6 percent for five-year tenors, 1.3-1.6 percent (10-year tenors) and 1.43-1.73 percent (15-year tenors).

For bonds issued by Vietnam Social Policy Bank, the issuing rate dropped by 1.2 percent for 10-year tenors and 1.3 percent for 15-year tenors.

Principal and interest payment: Government-guaranteed bonds issued by the two policy banks were fully serviced regarding principals and interest during 2019.

The market size for Government-guaranteed bonds by the end of 2019 reached VND 146,855 billion, equivalent to 2.43 percent of GDP in 2019, a 6.9 percent decline from 2018.

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 2019 was VND 336,895 billion, 4.9 percent higher than in 2018, of which the value of outright transactions was VND 106,933 billion – a 3.86 percent fall from 2018. The value of repo transactions was VND 229,962 billion, 9.6 percent higher than in 2018. The average transaction value per session was VND 1,348 billion, a 4.92 percent rise from 2018.

3. MUNICIPAL BONDS

The total sub-national government budget deficit, approved by the National Assembly for 2019, was VND 12,500 billion.

Issuance arrangements: In 2019, only Haiphong City People's Committee issued municipal bonds to raise finance. Its total volume of successful issues amounted to VND 969 billion, in five-year tenors, through underwriting with an issuing rate of 4.3 percent, per year. After issuance, the bonds were registered, listed and traded on the HNX.

Repayment: Municipal bond repayments in 2019 totalled VND 7,665 billion.

The market size of municipal bonds by the end of 2019 reached VND 19,435 billion, equivalent to 0.32 percent of GDP in 2019.

Secondary market listing and trading: 85 percent of municipal bonds were listed and traded on the securities market. However, the volume of municipal bond trading remained small at VND 39.82 billion.

TABLE 7 Listing of Government-guaranteed bonds and municipal bonds

No.	Description	Unit	Year 2018	Year 2019
I	Listed value	VND billion	161,688	154,761
1.	Government-guaranteed bonds	VND billion	141,264	138,168
2.	Municipal bonds	VND billion	20,424	16,593

III. CORPORATE BOND MARKET

In 2019, the corporate bond market had dynamically expanded compared to previous years, by 31.2 percent from 2018 and equal to 10.85 percent of GDP in 2019. The size of the privately-placed corporate bond market was equal to 10.14 percent of GDP, underlining the point that enterprises are increasing their focus on the bond issuance channel to mobilize capital in addition to bank loans.

Legal framework:

From February 1, 2019, Decree No.163/2018/ND-CP (December 4, 2018) on the issuance of corporate bonds in private placement came into effect. Accordingly, the decree introduces new provisions to create favorable conditions for enterprises to mobilize capital from bond issuances through: i) relaxing issuance conditions (that enterprises must post a profit in the preceding year), ii) supplementing regulations on the issuance of bonds in tranches in accordance with progress in investment projects, iii) standardizing issuing documents and iv) adding an information disclosure mechanism and forming a corporate bond-dedicated website on the HNX to increase the profile and transparency of the corporate bond issuance process.

On November 26, 2019, the National Assembly issued the Securities Law No.54/2019/QH14, effective from January 1, 2021 with new regulations on the issuance and trading of corporate bonds issued through public offerings and private placement. Specifically:

Public offerings: i) having credit rating results for bond issuers in accordance with Government regulations on credit ratings and time of application, ii) linking the issuance of corporate bonds to the public with listing and trading on the stock market, iii) simplifying documents and processes to create favorable conditions for enterprises to raise capital, iv) stipulating that enterprises conducting public offerings would have chartered capital contributed at the time of registration of offering from VND 30 billion or more according to the value recorded in the accounting books (Securities Law 2006 regulated that the enterprises conducting public offerings would have chartered capital of VND 10 billion).

Private placement: i) For public companies, securities business organizations (securities companies, fund management companies), only professional investors can buy and trade bonds issued by these organizations and ii) for privately-placed corporate bonds of enterprises that are not public companies, provisions of the Enterprise Law and relevant laws shall apply.

Issued volume: The total volume of corporate bonds issued in 2019 amounted to VND 332,852 billion, of which private placement accounted for VND 309,352 billion and 92.9 percent of the issued volume. Public offerings amounted to VND 23,500 billion and 7.1 percent of the issued volume. One enterprise issued on the international market with the volume of USD 300 million.

Domestic privately-placed corporate bonds: Some 38.7 percent of bonds issued were secured, while convertible bonds and bonds with warrants accounted for 0.3 and 0.2 percent, respectively of the total issuance volumes.

Issuing maturities: Corporate bonds were issued in a range of tenors from one to 15 years. The average tenors of privately-placed corporate bonds exceeded four years, a one year increase from 2018. The volume of privately-placed bonds with tenors of 10 years or more reached 14.4 percent of the total issued volume, a nearly three-fold rise from 2018. The average tenors of bonds issued to the public exceeded five years (commercial bank bonds issued with tenors of seven-10 years, bonds issued by other companies with tenors of three years). The increase in average terms of corporate bonds issued in 2019 shows that businesses mainly issued medium and long-term bonds to raise capital.

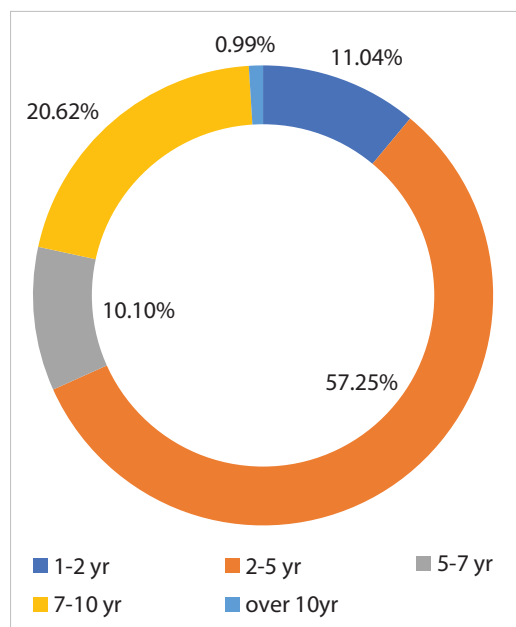
Interest rates: The average coupon of corporate bond issuances was 8.91 percent/year. In particular, 81.4 percent of corporate bonds issued had coupons below 11 percent/year, 16.8 percent had coupons of 11-13 percent, 1.3 percent had yields above 13 percent/year. The highest coupon was 14.5 percent/year. The average bond coupon of commercial banks reached 7.04 percent/year, while the average coupon of real estate enterprises was 10.45 percent/year and common coupon was 9.5-11 percent/year. For bonds issued to the public, a floating coupon is based on the average reference rate of four major commercial banks (Agribank, BIDV, Vietcombank and Vietinbank).

Secondary market listing and trading: 24 corporate bond codes were listed on the two stock exchanges HOSE (22) and HNX (two), total value of listed corporate bonds amounted to VND 37.42 trillion, equal to 5.9 percent of the outstanding amount. The total traded value in 2019 reached VND 42,900 billion, an increase of 4.6 percent compared to 2018. The average trading volume of corporate bonds listed at the stock exchanges was VND 119 billion per session. For privately-placed corporate bonds, investors usually conducted transfer transactions with securities companies as distribution agents. At the same time, from March 2019 investors could obtain information on issued bonds through updates by the HNX's Bond Information Center.

Investor base: By the end of 2019, domestic investors held 96.4 percent of corporate bonds privately placed, while foreign investors claimed 3.6 percent. The main investors in the privately-placed market were institutional investors accounting for 91.2 percent, with individual investors the remainder.

By type of investors, credit institutions reduced investment in the corporate bond primary market (from 35.6 percent in 2018 to 17.4 percent of issued volume in 2019), meanwhile securities companies were active in the primary market (30.3 percent of issued volume in 2018 to 44.1 percent in 2019), followed by insurers (4.3 percent), investment funds (0.8 percent), individual investors (8.4 percent), other domestic investors (25 percent) and foreign investors (3.6 percent). However, as corporate bonds are a tradable product, upon issuance on the primary market, the bond-holding ratio of investors will continue to change.

FIGURE 12 Corporate bonds issued by tenors in 2019



IV. GREEN BOND MARKET IN 2019

1. GREEN GOVERNMENT BONDS

In 2019, the MOF coordinated and consulted with line ministries (Ministry of Planning and Investment, Ministry of Natural Resources and Environment) and international experts to study and evaluate the feasibility of issuing green government bonds to raise capital for public environmental protection projects to 2020 (from 2016) and 2021-2025.

To prepare for the pilot issuance of green government bonds, the MOF is working with these ministries to build a green bond legal framework:

Selection of green projects to utilize proceeds from the issuance of green government bonds: The issuance of green bonds to mobilize funds for public environmental protection projects is in accordance with the Law on Environmental Protection and provisions of the State Budget Law and Law on Public Investment. Regarding the selection of green projects, now in the last year of the five-year medium-term public investment period (2016 to 2020), the Government is focusing on solutions to accelerate disbursement of public investment projects. Therefore, in addition to examining the issuance of government bonds for new public investment projects, the MOF is studying international practices for issuance of green government bonds for ongoing public investment projects. Along with pilot implementation, the MOF will develop a legal framework to streamline the issuance of green government bonds.

Formulating a process to select green projects: The MOF is coordinating with line ministries to elaborate an internal process to identify projects eligible to use proceeds from green government bond issuances.

Management and use of proceeds from issuance of green government bonds: The proceeds from the issuance of green government bonds can only be used for disbursement to selected green projects and have to be disclosed to bondholders before utilizing for oversight purposes.

Reporting and information disclosure regime: The MOF has been coordinating with line ministries on disclosure of information on the use and disbursement of proceeds from the issuance of green government bonds, including a list of projects using green bond capital (project details to include disbursement progress, implementation schedule and environmental impact assessment report etc.).

2. GREEN CORPORATE BONDS

In 2019, the MOF coordinated with international organizations to encourage enterprises looking to raise capital for environmental protection projects through provision of technical assistance on: i) guiding the issuance of green bonds following international practice, ii) disseminating the regulations on issuing green corporate bonds to enterprises and iii) seeking support for costs of issuance consultancies and third party reviews providing independent opinions on the issuance framework's green credentials. The MOF has also engaged with foreign investment funds on the potential of buying green corporate bonds issued by domestic enterprises.

OBJECTIVES AND POLICIES FOR BOND MARKET DEVELOPMENT IN 2020

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

1. GOVERNMENT BOND MARKET

Issuance plan: Total borrowing needs to finance the central government budget in 2020 will hit VND 450,349 billion, including VND 217,800 billion to finance the budget deficit and VND 232,549 billion to refinance debt principals. Accordingly, the State Treasury announced the Government bond issuance plan for 2020 is VND 260,000 billion. During the implementation process, based on the central budget's capital mobilization needs and status of State budget revenues and expenditures, the volume of government bonds may be adjusted and announced to investors.

Issuance plan by maturities is as Table 8.

Issuance arrangements: The State Treasury has increased the size of bonds to be newly issued or re-opened on tap bonds towards the benchmark size of some bonds to reach VND 10,000-12,000 billion to promote secondary market liquidity.

The State Treasury focuses on issuing government bonds through auctions and Government bond issuance tenors are adjusted to investors' demands and interest rates are set according to market levels. The State Treasury will issue government bonds to ensure liquidity when the Primary Dealer fulfills the two-way quoting obligation.

Bond switching and buybacks: In 2020, the State Treasury intends to switch some bonds due in 2020 and 2021 to promote secondary market liquidity and restructure the Government bond portfolio. A maximum of VND 20 trillion in Government bonds will be switched, depending on market movements and investors' demands.

Secondary market

Strive to increase liquidity in the secondary market of government bonds, especially the proportion of repurchase transactions. Continuing to enhance the Government bond

TABLE 8 Tentative volume of Government bond issuances by maturities (2020)

Maturity	Tentative volumes
5 years	VND 20,000 billion
7 years	VND 15,000 billion
10 years	VND 90,000 billion
15 years	VND 100,000 billion
20 years	VND 20,000 billion
30 years	VND 15,000 billion
Total	VND 260,000 billion

trading system to create favorable conditions for investors to participate in secondary market transactions. The gradual implementation of the two-way quoting obligation for standard bond codes on HNX's system will be achieved when the market is favorable.

List of Primary Dealers: In 2020, the 13 Primary Dealers announced by the MOF in Decision No.2770/QD-BTC (December 27, 2019) 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	Military Joint Stock Commercial Bank (MB Bank)
8	Vietnam Maritime Joint Stock Commercial Bank (Maritime Bank)
9	Phuong Dong Joint Stock Commercial 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

The rights and obligations of Primary Dealers are stipulated in MOF announcement No.15805/BTC-TCNH (December 27, 2019) (<http://www.mof.gov.vn/webcenter/portal/tpcp>). Key obligations of Primary Dealers in 2020 include:

Buying obligations: In the assessment period (November 1, 2019 to October 31, 2020), 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, 2019 to October 31, 2020), 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 1.5 percent of the market's total transaction volume.

Primary Dealer quoting obligations are currently being developed for implementation.

2. GOVERNMENT-GUARANTEED BOND MARKET

Issuance plan: On April 8, 2020, the Government issued Resolution No.40/NQ-CP approving the Government's guarantee limit and loan limit for re-lending in 2020, in which the maximum guarantee limit for two policy banks equals the obligation for debt principal repayments for Government-guaranteed bonds in 2020. Based on the Government's approval and the credit growth policy of the two policy banks, the MOF will seek Prime Ministerial approval for a specific guarantee limit for the two banks to issue Government-guaranteed bonds.

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.

3. MUNICIPAL BONDS MARKET

The total sub-national government debt borrowing limit in 2020 is VND 29,482 billion (26,780 billion in 2019) (VND 18,103 billion to finance sub-national budget deficits and VND 11,379 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 amount of capital mobilized through issuing local government bonds in 2020 depends on financing needs of sub-national governments and bond market conditions.

Obligations on due debt principal repayments of municipal bonds in 2020 amount to VND 8,565 billion (VND 3,315 billion by Ho Chi Minh City, VND 4,000 billion by Hanoi, VND 500 billion by Haiphong, VND 200 billion by Bac Ninh and VND 550 billion by Quang Ninh).

II. CORPORATE BOND MARKET

Legal framework: Based on provisions of the Securities Law 2019 and the amended Enterprise Law (effective from January 1, 2021), in 2020 the legal framework for corporate bond issuances will continue to be enhanced.

The MOF is developing two decrees on the issuance of corporate bonds for submission to the Government for promulgation: (i) one decree guiding the implementation of a number of articles of the Securities Law to guide the dossier and process for issuing bonds through public offerings and (ii) one decree to replace Decree No.163/2018/ND-CP on the issuance of corporate bonds through private placement. At the same time, the MOF is reviewing and strengthening sanctions for violations by issuers and service providers of corporate bonds issued through public offerings and private placement as defined by the decree on administrative sanctions in the areas of securities and the securities market in line with the Securities Law 2019.

At the same time, the MOF is coordinating with the Ministry of Planning and Investment to finalize regulations on project bond issuances through the Law on Investment in the form of public-private partnerships (PPP). A guiding decree effective from January 1, 2021 will also act as a legal basis for a special purpose vehicle to issue project bonds to raise capital for PPP projects.

Issuance plan: The volume of corporate bonds to be issued in 2020 is dependent on enterprises' financing needs and market conditions. Due to complications from the Covid-19 pandemic, the economy will encounter challenges that could impact the demand for corporate bond issuances in 2020.

Issuance arrangements: In 2020, Vietnam's corporate bond market will take the following development steps:

First, step-by-step upgrade and effectively operate a HNX's specialized corporate bond website to support 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 elevate public disclosure and transparency in bond financing.

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

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

Fifth, issue regulations to provide specific guidance on publishing information on a specialized corporate bond website and the process to transfer ownership of corporate bonds (HNX-issued regulation on operating a bond information website on corporate bonds. VSD will issue a regulation guiding the process and procedures to identify privately-placed corporate bond ownership).

III. GREEN BOND MARKET

1. GREEN GOVERNMENT BONDS AND MUNICIPAL BONDS

The MOF will coordinate with the Ministry of Natural Resources and Environment and related ministries to improve respective regulations relating to provisions in the new Law on Environmental Protection to supplement the following provisions: i) greenfield projects, ii) accounting principles, cashflow tracking, information disclosure regimes and iii) specify sources of expenditure incurred in issuing green government bonds and municipal bonds to facilitate future implementation.

Green government bonds: The MOF is working with line ministries to finalize a scheme on pilot issuance of green government bonds in the domestic market and submit them to the Prime Minister for approval before deploying them in order to meet the investment needs of

investors, contributing to the diversification of Government bond products in the market. At the same time, the MOF is working with the Ministry of Planning and Investment to select a number of proposed green projects into the list of projects under the medium-term public investment plan during 2021-2025.

Green municipal bonds: The MOF shall coordinate with the local governments of a number of provinces and cities in formulating a framework and process for issuing green local government bonds as well as encourage the selection of green projects for issuance of green local government bonds.

2. GREEN CORPORATE BONDS

The MOF will continue to encourage enterprises wishing to issue green corporate bonds to mobilize investment capital for projects that have positive impacts on the environment. It will also coordinate with foreign consultancy organizations to support enterprises to deploy issuances of green corporate bonds according to international practices, as a premise to develop the green corporate bond market in the future.

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

1. 2017 Public Debt Management Law.
2. Securities Law
3. 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.
4. Government Decree No.93/2018/ND-CP (June 30, 2018) on provincial government debt management.
5. Government Decree No.91/2018/ND-CP (June 26, 2018) on government guarantee issuances and management.
6. Government Decree No.58/2012/ND-CP (July 20, 2012) detailing and guiding the implementation of some articles of the Securities Law and the Law Amending and Supplementing a Number of Articles of the Securities Law.
7. Government Decree No.60/2012/ND-CP (June 26, 2015) on amending, supplementing several articles of the Government's Decree No.58/2012/ND-CP (July 20, 2012) on providing specific provisions for implementation of certain articles of the Law on Securities and the Law on Amending and Supplementing a Number of Articles of the Law on Securities.
8. Government Decree No.163/2018/ND-CP (December 4, 2018) prescribing the issuance of corporate bonds.
9. 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.
10. 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.
11. 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.

12. MOF Circular No.162/2015/TT-BTC (October 26, 2015) on guidelines for public offerings, stock swaps, issuance of additional stocks, repurchases of stocks, sales of treasury stocks and tender offers.
13. HNX Decision No.501/QD-SGDHN (July 5, 2017) promulgating regulations on trading transactions of Government bonds, Government-guaranteed bonds and municipal bonds.
14. 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.
15. 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.
16. 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-3

- 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 on receiving bids (after 8:30 am on T-3)

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: Latest 16:00 p.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: Before 17:00 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 bidded 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.
- Prior to 14:00 p.m: After checking the payment status the State Treasury sends information on the payments by the successful bidders to VSD for VSD to fulfill procedures for bond custody. At the same time, HNX sent a bond listing letter to VSD to adjust the first trading date on VSD's system.

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, registration 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

- Transactions of Government bonds, Government guaranteed bonds and Municipal bonds are applied two put-through methods including:
 - Conducting directly on the Government bond trading system of HNX through the market electronic put-through order and selective electronic put-through order.
 - Conducting transactions outside the trading system and reporting the transaction results to the HNX's trading system. In this form, 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: 09:00 – 11:30.
 - Pm: 13:00 – 14:45.
- 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 SSC.

(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.
- HNX shall compile and send transaction data to VSD at 15:00 p.m. on day T.

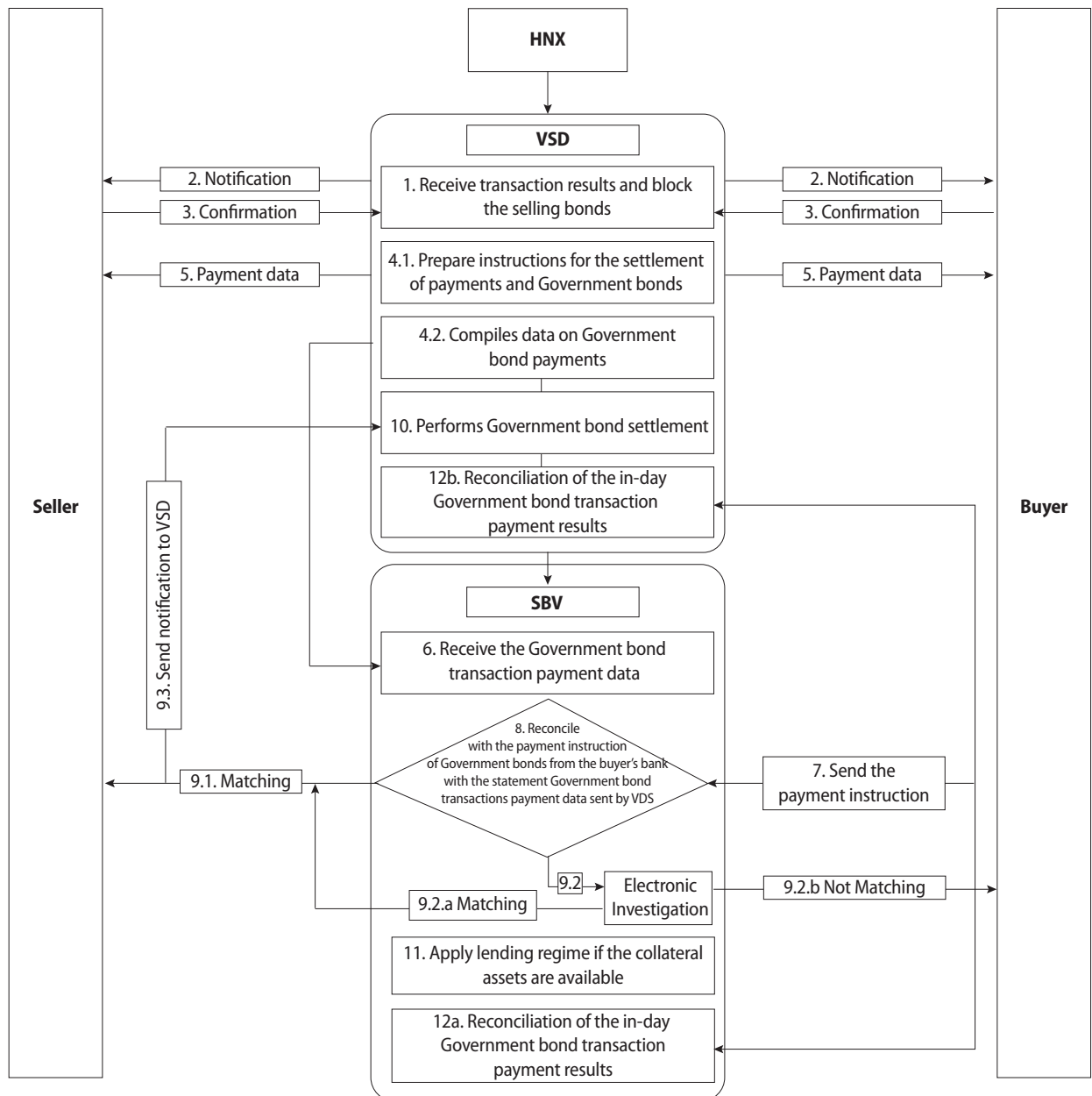
(3) Settlement:

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. 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, 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.
- *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 (2015-2019)

	2015	2016	2017	2018	2019 (Estimated)
Public debt/GDP	61.0%	63.7%	61.4%	58.3%	54.8%
Government debt/GDP	49.2%	52.7%	51.7%	49.9%	47.8%
Government debt service to State budget revenue (%)	16.7%	15.8%	19.7%	17.1%	18.5%
External debt /GDP	42.0%	44.8%	49.0%	46.0%	47.1%

Note: Data for years from 2015-2019 is based on the Public Debt Bulletin No 9 by the MOF.

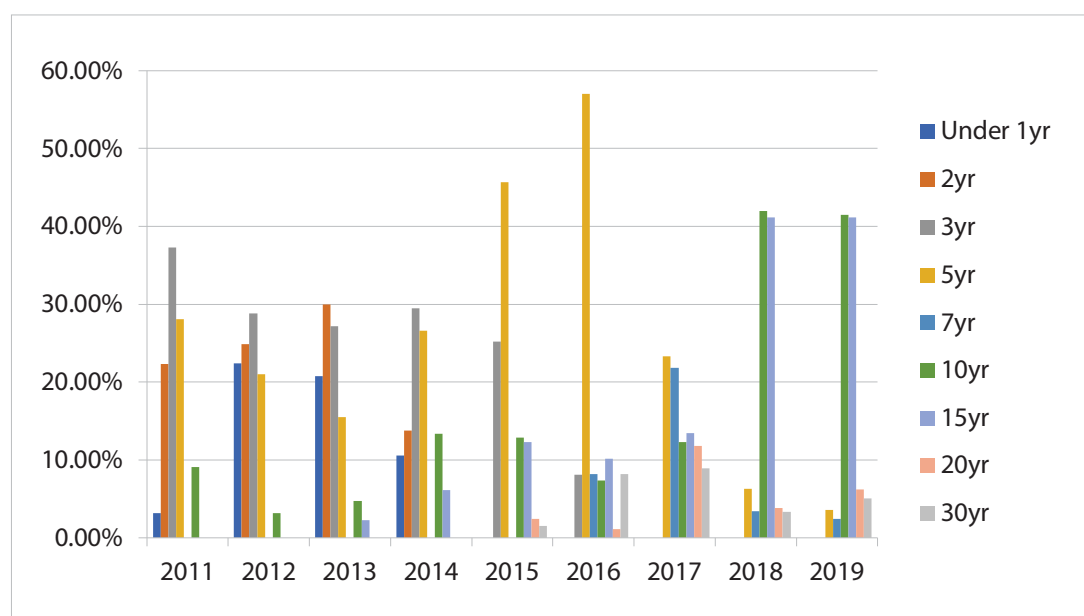
2. Credit ratings for Vietnam

Credit ratings of Vietnam as follows:

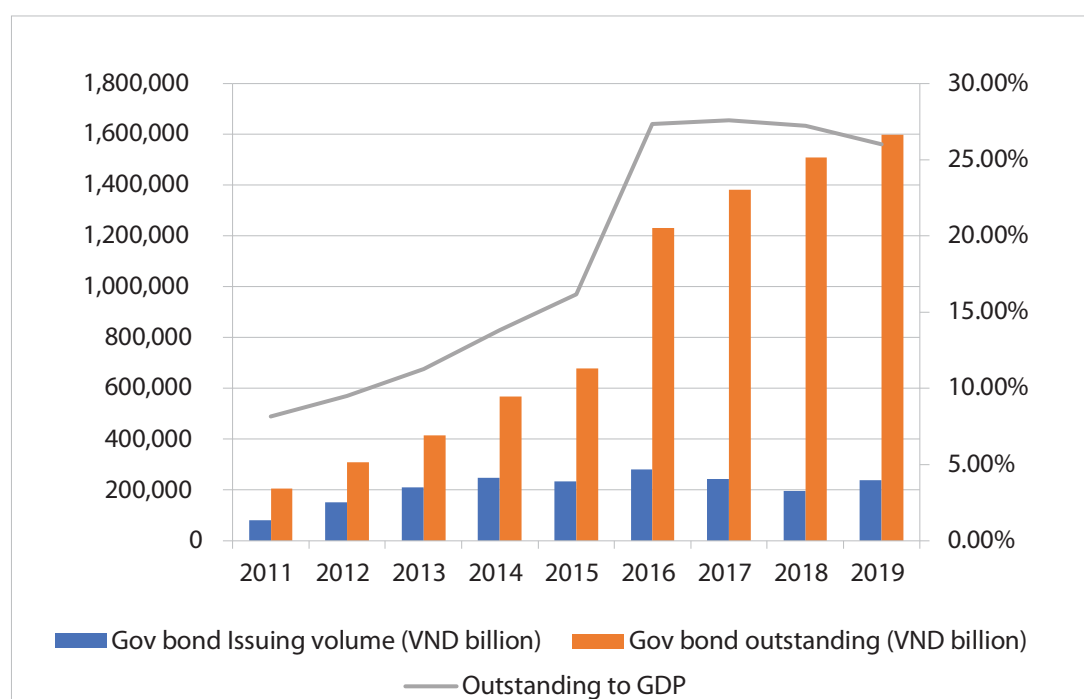
Year	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
2011	B1	Negative	BB-	Negative	B+	Stable
2012	B2	Stable	BB-	Stable	B+	Stable
2013	B2	Stable	BB-	Stable	B+	Stable
2014	B1	Stable	BB-	Positive	B+	Positive
2015	B1	Stable	BB-	Positive	B+	Positive
2016	B1	Stable	BB-	Stable	BB-	Stable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

Annex 7. Vietnam Government bond market (2011-2019)

1. Proportion of Government bonds issued by tenors (2011-2019)



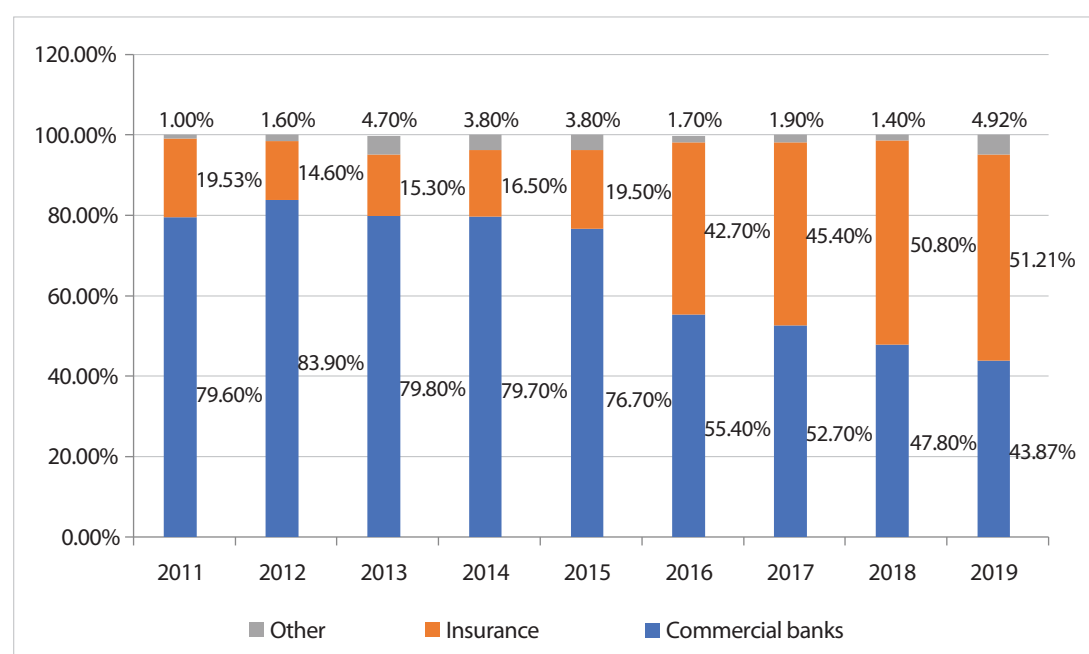
2. Government bond issuing volume and outstanding (2011-2019)



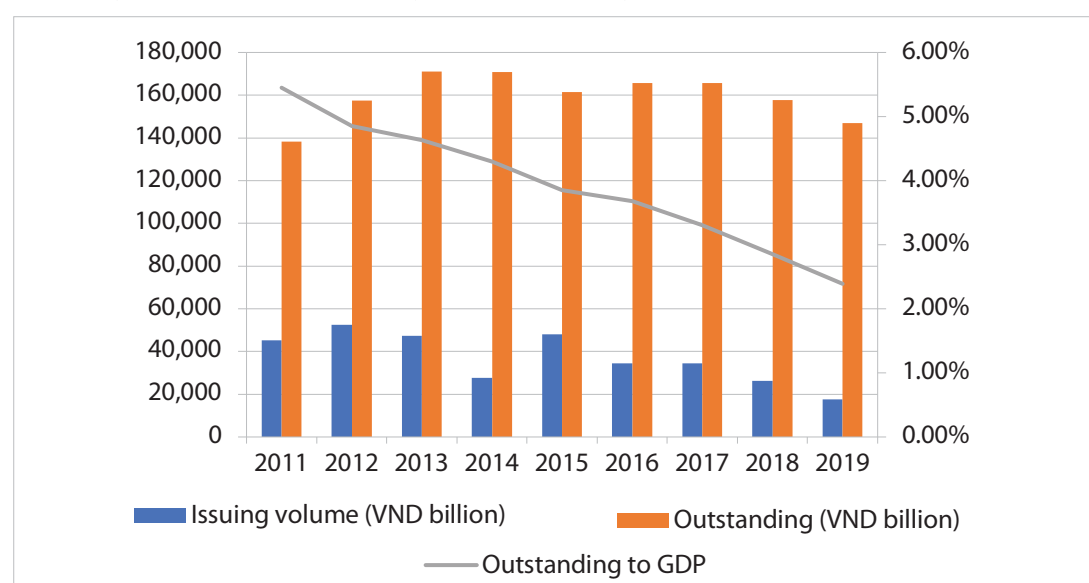
3. Government bond trading volume in secondary market (2011-2019) (Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Outright transactions	45,268	115,857	290,847	562,281	504,985	831,220	1,036,792	1,011,027	1,032,286
Repo transactions	827	18,101	57,501	176,177	219,447	459,642	866,481	1,168,904	889,576
Total transaction value	46,095	133,958	348,348	738,458	724,432	1,290,862	1,903,273	2,179,931	1,921,862
Average transaction value per session	186	536	1,393	2,990	2,921	5,143	7,613	7,432	7,682

4. Composition of investors in Government bond market (2011-2019)



5. Issuing volume and outstanding of Government-guaranteed bonds (2011-2019)

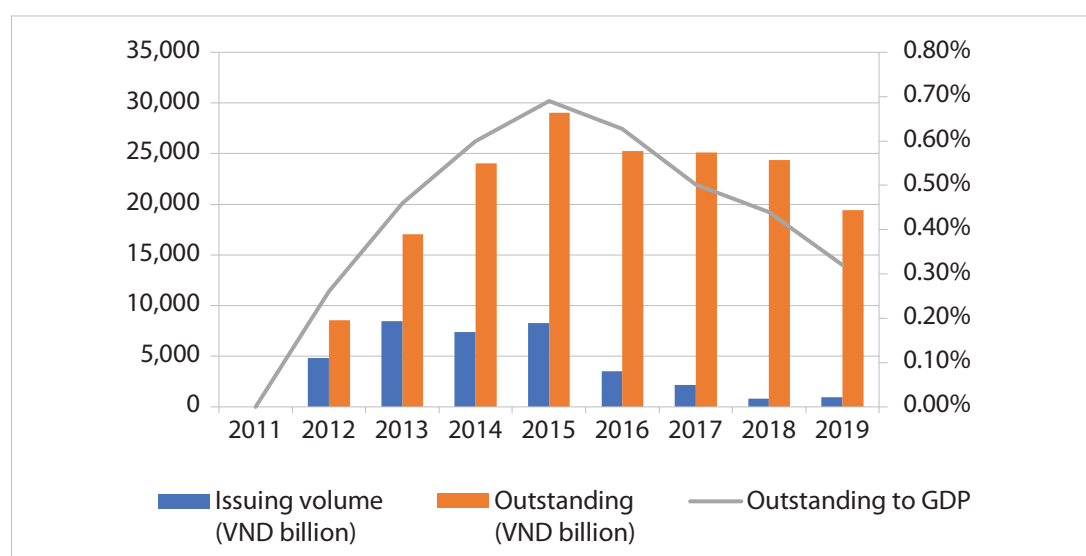


6. Government-guaranteed bond trading volume in secondary market (2011-2019)

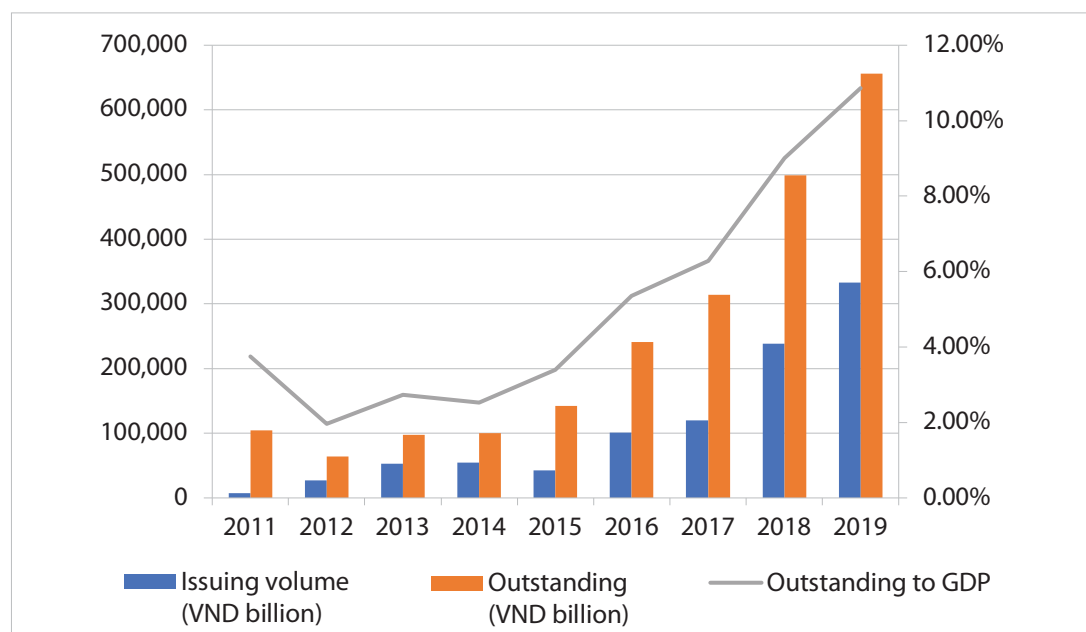
(Unit: VND billion)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Outright transactions	42,430	45,568	47,405	74,350	98,095	158,725	102,212	899,244	1,028,768
Repo transactions	766	32,188	18,779	69,445	77,932	143,542	240,709	958,933	891,824
Total transaction value	43,196	77,756	66,184	143,795	176,027	302,266	342,921	1,858,177	1,920,592
Average transaction value per session	174	311	265	582	710	1,204	1,372	1,284	1,348

7. Municipal bond issuing volume and outstanding (2011-2019)



8. Corporate bond issuing volume and outstanding (2011-2019)





Vietnam Lawyers Association

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