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Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)
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ASEAN+3 BOND MARKET GUIDE VIET NAM

OCTOBER 2018

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OCTOBER 2018



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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
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In this report, international standards for naming conventions—International Organization for Standardization (ISO) 3166 for country codes and ISO 4217 for currency codes—are used to reflect the discussions of the ASEAN+3 Bond Market Forum to promote and support implementation of international standards in financial transactions in the region. ASEAN+3 comprises the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China, Japan, and the Republic of Korea.

The economies of ASEAN+3 as defined in ISO 3166 include Brunei Darussalam (BN; BRN); Cambodia (KH; KHM); the People’s Republic of China (CH; CHN); Hong Kong, China (HK; HKG); Indonesia (ID; IDN); Japan (JP; JPN); the Republic of Korea (KR; KOR); the Lao People’s Democratic Republic (LA; LAO); Malaysia (MY; MYS); Myanmar (MM; MMR); the Philippines (PH; PHL); Singapore (SG; SGP); Thailand (TH; THA); and Viet Nam (VN; VNM). The currencies of ASEAN+3 as defined in ISO 4217 include the Brunei dollar (BND), Cambodian riel (KHR), Chinese renminbi (CNY), Hong Kong dollar (HKD), Indonesian rupiah (IDR), Japanese yen (JPY), Korean won (KRW), Lao kip (LAK), Malaysian ringgit (MYR), Myanmar kyat (MMK), Philippine peso (PHP), Singapore dollar (SGD), Thai baht (THB), and Vietnamese dong (VND).

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Foreword

The Asian Development Bank is working closely with the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China, Japan, and the Republic of Korea—collectively known as ASEAN+3—to develop local currency bond markets and facilitate regional bond market integration under the Asian Bond Markets Initiative for development of the region's resilient financial systems.

Thanks to the efforts of member governments, local currency bond markets in ASEAN, the People's Republic of China, and the Republic of Korea have grown rapidly, with the total outstanding amount of bonds reaching more than USD10 trillion in 2016. Despite this remarkable development, intraregional investment in bond markets has remained subdued. As the Asian Development Bank has estimated that developing Asia will need to invest USD26 trillion from 2016 to 2030 (or USD1.7 trillion per year) in infrastructure for its continued growth, it is critical to mobilize the region's vast savings for the enormous investment needs. As an essential platform for such resource mobilization, the financial markets in ASEAN+3 need to be more harmonized for better integration. Also, the regional efforts should support developing member countries at early stages of market development.

The ASEAN+3 Bond Market Forum (ABMF) was established with the endorsement of the ASEAN+3 finance ministers in 2010 as a common platform to foster the standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region. As an initial step, ABMF published the ASEAN+3 Bond Market Guide in 2012, which was welcomed as the first official information source offering a comprehensive explanation of the region's bond markets.

Since publication of the ASEAN+3 Bond Market Guide, bond markets in the region have continued to develop. ABMF recognizes the need for revisions to the guide to reflect these changes, though it is never an easy task to keep up with rapid changes in the markets. This report is an outcome of the strong support and contributions of ABMF members and experts, particularly from Viet Nam. The report should be recognized as a joint product to support bond market development among ASEAN+3 members. It is our hope that the revised ASEAN+3 Bond Market Guide will facilitate further development of the region's bond markets, contribute to increased intraregional bond transactions, and promote efficient capital allocation within the region.



Yasuyuki Sawada
Chief Economist and Director General
Economic Research and Regional Cooperation Department

Acknowledgments

The Viet Nam Bond Market Guide was first published in 2012 as the initial output of Phase 1 of the ASEAN+3 Bond Market Forum (ABMF).¹ Across the region, domestic bond markets, including the Viet Nam bond market, have experienced tremendous development over the past 5 years. Now in Phase 3, ABMF would like to share, in the public domain, information on these developments by publishing an update to the Viet Nam Bond Market Guide.

The ABMF Sub-Forum 1 team—comprising Satoru Yamadera (Principal Financial Sector Specialist, Asian Development Bank [ADB], Economic Research and Regional Cooperation Department); Kosintr Puongsophol (Financial Sector Specialist, ADB, Economic Research and Regional Cooperation Department); and ADB consultants Shigehito Inukai and Matthias Schmidt—would like to stress the significance and magnitude of the contributions made by ABMF national members and experts for Viet Nam, including the Hanoi Stock Exchange and the Vietnam Bond Market Association.² The ADB team would also like to express special thanks to the Ministry of Finance, the State Bank of Vietnam, and the Vietnam Securities Depository. These policy bodies, regulatory authorities, and market institutions generously gave their time for market visit meetings, discussions, and follow-up. They have also reviewed and provided inputs on the draft Viet Nam Bond Market Guide over the course of ABMF Phase 3.

No part of this report represents the official views or opinions of any institution that participated in this activity as an ABMF member, observer, or expert. The ABMF Sub-Forum 1 team bears sole responsibility for the contents of this report.

October 2018

ASEAN+3 Bond Market Forum

¹ ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea.

² ADB recognizes “Vietnam” as Viet Nam, “Hanoi” as Ha Noi, and “Hochiminh” as Ho Chi Minh.

Abbreviations

ABMF	ASEAN+3 Bond Market Forum	SBV	State Bank of Vietnam
ADB	Asian Development Bank	SF1	Sub-Forum 1 of ABMF
AMBIF	ASEAN+3 Multi-Currency Bond Issuance Framework	SF2	Sub-Forum 2 of ABMF
ASEAN	Association of Southeast Asian Nations	SRO	self-regulatory organization
ASEAN+3	Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea	SSC	State Securities Commission
BIDV	Bank for Investment and Development of Viet Nam	STC	securities trading code
CCA	capital contribution account	SOE	state-owned enterprise
CGIF	Credit Guarantee and Investment Facility	TD	trade date
CIMS	Corporate Information Management System at HNX	T-bill	Treasury bill
CIT	corporate income tax	USD	United States dollar (ISO code)
CRA	credit rating agency	VASB	Vietnam Association of Securities Business
DTA	double taxation agreement	VAT	value-added tax
E.ABS	automatic bidding system (of HNX)	VBSP	Vietnam Bank for Social Policy
E-BTS	Electronic Bond Trading System	VBMA	Vietnam Bond Market Association
ERC	Enterprise Registration Certificate	VEC	Vietnam Expressway Corporation
HASTC	Hanoi Securities Trading Center	VSD	Vietnam Securities Depository
HNX	Hanoi Stock Exchange	VST	State Treasury
HOSE	Hochiminh Stock Exchange		
HoSTC	Ho Chi Minh City Securities Trading Center		
LOE	Law on Enterprises		
MTN	medium-term note		
MOF	Ministry of Finance		
OTC	over-the-counter		

USD1 = VND22,425³

³ The SBV central rate as of 29 December 2017 is given here since this rate is used for the purpose of calculating total bonds outstanding across currencies, as applied in the text, figures, and tables in the Viet Nam Bond Market Guide.

Overview

A. Introduction

The Viet Nam bond market has seen significant changes and steady progress over the past 10 years. It exhibits notable maturity among the developing countries of the Mekong River basin. Viet Nam's bond market size reached 20% of gross domestic product (GDP) in 2014, reflecting its impressive development.

In comparison with other Association of Southeast Asian (ASEAN) members, the bond market of Viet Nam as a share of GDP is still far below that of Thailand (70%) and still trails that of the Philippines (30%); at the same time, it exceeds the relative market size of Indonesia's bond market at 10% of GDP.

In Viet Nam, government bonds dominate the debt market, followed by corporate bonds, government-guaranteed bonds, and then municipal bonds. Government bill and bond maturities vary from less than 1 year to 30 years. Corporate bonds and convertible bonds have been issued in the market since 2005 and 2006, respectively.

Public sector bonds are typically purchased at auction by insurance companies, banks, and individuals, and are held until maturity. In addition to auction, government bonds are also issued via underwriting conducted by the issuers themselves. A number of licensed securities companies are authorized to provide a full range of securities services including underwriting, brokerage, advisory, portfolio management, and trading.

Viet Nam's bond and capital markets have improved significantly as the government continues to initiate reforms and pass enabling legislation. Local government bonds—denominated in both Vietnamese dong and United States dollars—are issued in large lots, while streamlined procedures continue to ease corporate bond issuance.

In August 2017, Viet Nam published the Decision Approving the Roadmap for Developing the Bond Market, 2017–2020 and Vision Toward 2030 (see also section B). Among the medium- and long-term development objectives contained in the roadmap is to focus on the development of the government securities market, as well as the corporate bond market, in line with development of the state economy.

Since the Viet Nam bond market generates a lot of interest from potential market participants in ASEAN+3 and abroad, a brief review of milestones in the market's development since its creation in 2000 is provided in the next section.

B. Market Development Milestones

1. 2000–2009: Early Stage of the Viet Nam Bond Market Development

When the Viet Nam securities market started in 2000 with the opening of the Ho Chi Minh City Securities Trading Center (HoSTC), government bonds were the only major products listed for trading on the market.

In 2003, Decree No. 144/2003/ND-CP 28/11/2003 on Securities Market and Securities Companies was enacted, providing a regulatory framework for the new securities market. In September of the same year, the State Securities Commission (SSC), in close partnership with the Asian Development Bank (ADB), issued the 10-Year Capital Market Roadmap to Build Sophisticated Capital Markets in Viet Nam, with the development of the bond market as one of its key aims. The roadmap was implemented in phases: Phase 1 was implemented through 2006, Phase II from 2007 to 2009, and Phase III from 2010 to 2012. The outline of the roadmap and activities in the individual phases can be found on the ADB website. Since then, Viet Nam's bond market has developed significantly as the government continues to initiate reforms and pass enabling legislation.

In 2004, the SSC—established in 1996—was placed under the jurisdiction of the Ministry of Finance (MOF). In the same year, the Vietnam Association of Securities Business (VASB) was formed.

March 2005 saw the commencement of trading on the Hanoi Securities Trading Center (HASTC). In addition, the government's first international bond issuance in October 2005 was a resounding success when Viet Nam launched its maiden sovereign bond issue (denominated in US dollars) and the proceeds from the sovereign bond were used to finance key refinery, power, and cargo ship projects. The government's second and third international bonds were issued in 2010 and 2014, respectively. Since 2005, local government bonds denominated in both Vietnamese dong and US dollars have been issued in large lots. Also in 2005, corporate bond issuance was conditionally accepted by the government.

Before 2006, government bonds were issued via auction at both HASTC and HoSTC. Since 2006, in accordance with Decision No. 2276/QD-BTC of the MOF on the Centralization of Bidding on Government Bonds, all government bond issuance via auction has been exclusively conducted by HASTC, which changed its name to the Hanoi Stock Exchange (HNX) in June 2009.

In July 2006, the Vietnam Securities Depository (VSD) commenced operation. In the same year, the Vietnam Bond Market Forum (VBMF) was created; it was upgraded to the Vietnam Bond Market Association (VBMA) in 2009.

In May 2006, Decree No. 52/2006/ND-CP on Issuance of Enterprise Bonds for the Issuance of Private Placement Bonds (Separate Issuance) came into effect. According to this decree, a preliminary examination of the issuance proposal and an approval by the regulatory authority was not necessary at the time of issuance, and the issuer was obliged only to report to the MOF within 15 days after issuance. As a result, not only state-owned enterprises but also private enterprises were issuing private placement bonds.

In January 2007, the Law on Securities was promulgated, replacing the 2003 Decree on Securities Market and Securities Companies. In August of the same year, the HoSTC changed its name to the Hochiminh Stock Exchange (HOSE).

In February 2009, the government issued the first USD-denominated government bonds to domestic investors to attract domestic savings. Prior to 2009, government bonds were allowed to be listed and traded on both HOSE and HASTC. From September 2009, government bonds were exclusively listed and traded on HNX. This change was made in accordance with Decision No. 86/QĐ-BTC on the Approval of the Plan on Building a Specialized Government Bond Market, wherein HNX was assigned as the only organizer of the secondary market for government bonds in Viet Nam.

Also in 2009, HNX created the Unlisted Public Company Market and established an electronic bond trading system for government bonds. The new system was built with a transaction model suitable for the government bond market in Viet Nam. The new trading platform was also able to publish basic public-bond-related information (e.g., issuers, exchange members, prices, schedules, and settlement). It also allowed the identification of repurchase (repo) transactions for the first time. This helped enhance transparency and increase liquidity in the government bond market. Securities companies and commercial banks were also able to trade directly on this platform, with bonds being deposited at VSD.

2. 2010–2017: Steady Progress in Market Development

Before 2010, government bonds were issued by two agencies, the State Treasury (VST), which is one of the professional and specialized ministerial units in the MOF, and the Vietnam Development Bank (VDB). Under the new electronic-bond-trading system, from 2010 onward, the VST was authorized by the government to carry out government bond issuance as the sole issuing agency, also providing HNX with early notice on plans for capital mobilization, as well as quarterly and annual reports. In addition, the VDB and two other institutions, the Vietnam Bank for Social Policy (VBSP) and the Vietnam Expressway Corporation (VEC), became significant issuers of quasi-government, or government-guaranteed, bonds.

The new Law on Credit Institutions (No. 47/2010/QH12) was enacted in June 2010, which introduced a single borrower limit to avoid the concentration of credit. Corporate bond ownership and investment by banks were deemed to be equivalent to loans granted by banks, and the total credit amount extended to a single borrower was not to exceed 15% of the bank's capital, or 25% when including all extensions of credit to related parties.

In December 2010, a state-owned enterprise offered to postpone the repayment of its private placement bonds but was refused by the creditor. Ever since that instance, the market for private placements in Viet Nam has remained inactive. In response, the government promulgated Decree No. 90/2011/ND-CP in October 2011, which covered the issuance of private placement corporate bonds. The decree made it mandatory to submit bond issuance plans, including business information on and the financial conditions of the issuer, to be approved by the supervisory and/or regulatory authority of the issuer as a prerequisite for issuing private placement bonds. As a result, the information disclosure obligation for private placements was strengthened, particularly for state-owned enterprises (SOEs).

In 2011, the revised Law on Securities was promulgated. In 2012, HNX introduced the Electronic Bidding System for public bonds.

In 2013, the MOF set a target ratio of government bonds outstanding to GDP of 38%, to be achieved by 2020. In March of that year, HNX upgraded its information and trading system and launched the Government Bond Benchmark Yield Curve in order to provide a highly exact bond benchmark yield curve to the market, which would help investors make better investment decisions. The so-called G-bond yield curve has

become an important indicator in the government bond market with an initial maximum maturity of up to 15 years; the curve was lengthened to 20 years in 2015.

In September 2014, HNX signed a memorandum of understanding with Bloomberg to launch an electronic bond trading system, allowing HNX to connect its infrastructure to the international information system of Bloomberg, which would allow institutions to trade on the Bloomberg system and send the trading results to HNX's government bond trading system. The connection was yet to be in place in 2018.

The Electronic Bond Trading System (E-BTS) officially went live in June 2015 to enable domestic and foreign investors to easily access and join the government bond market. E-BTS was web-based and offered a complete version of the HNX trading platform, with a full range of trading products, utilities, and trading data.

Earlier that year, HNX introduced a set of so-called G-Bond indexes, consisting of a composite index, and 2-year, 3-year, and 5-year variations; these indexes for the government bond market were aimed at measuring the development of the local government bond market. The indexes helped enhance transparency and assist local and international investors in making bond transaction decisions.

Also in 2015, the HNX system was enhanced to issue and trade longer- and shorter-coupon bonds and zero-coupon bonds, and to accommodate one additional noncompetitive bidding session for any issue; this had been requested by issuers in case market demand for such an issue was still available and the issuer was still interested to fulfill funding needs.

In June 2016, HNX introduced the web-based automatic bidding system (E.ABS) in its effort to improve primary market access and broaden the investor base of the government bond market. E.ABS allows for members' flexible participation in the bidding process, reduces the length of bidding time, and applies lower brokerage fees.

In August 2017, the listed derivatives market was officially launched on HNX and four VN30 Index futures contracts were listed. The VN30 Index tracks the performance of the 30 largest companies on HOSE by market capitalization. The launch of a 5-year G-bond futures contract is planned but not yet effective. The derivatives market was intended to complement the capital market at large in Viet Nam, helping to improve the investor base and attract more foreign institutional investors in order to promote liquidity in the underlying market. To trade derivatives, seven securities companies were approved to become members of the Derivatives Market of HNX and connect with its derivatives trading system.

To date, corporate bonds are listed and traded in the stock trading system on both HOSE and HNX. Due to there being only a handful of listed corporate bonds, almost all corporate bonds are held by investors through transactions in the over-the-counter (OTC) market.

C. Conversion of State-Owned Enterprises and Strengthening of Disclosure Information

1. Conversion of State-Owned Enterprises

In Viet Nam, the conversion of SOEs into shareholding companies with stock certificates started in 1992. This development was the real beginning of the securities (or capital) market in Viet Nam.

Article 166 of the Law on Enterprises (No. 60-2005-QH11), promulgated in July 2006, set the obligation to transfer SOEs to a limited liability company or a shareholding company within 4 years.

In addition, between 2007 and 2010, the government planned to convert 900 out of 1,500 SOEs to shareholding companies. However, due to a sluggish stock market and the slowdown of the domestic economy after 2008, the conversion of SOEs into shareholding companies progressed slowly. Eventually, many SOEs were converted into so-called "limited liability companies with one member," with the government as the sole owner.

Viet Nam aims to enter the ranks of upper-middle-income countries by 2035. Part of the efforts toward this goal was the privatization of SOEs; hence, the government announced in December 2011 policies regarding the about 1,300 SOEs that existed at the time to (i) reduce the number of SOEs to 692 companies, and (ii) by 2015, convert 573 SOEs into shareholding companies. However, the conversion of SOEs has not always been successful.

2. Unique Definition of Public Company and Large-Scale Public Company

The Law on Securities carries a unique definition of a "public company" in Viet Nam. Under the law, companies with more than 100 shareholders will become public companies even if their shares are not listed on an exchange. According to Article 25 of the law, a public company means a shareholding company which belongs to one of the following three categories:

- i. a company which has made a public offer of shares;
- ii. a company which has shares listed on a securities exchange or a securities trading center;
- iii. a company which has shares owned by at least [100] investors excluding professional (institutional) securities investors, and which has paid-up charter capital of VND10 billion or more.

At the same time, Circular No. 52/2012/TT-BTC stipulates the unique definition of a "large-scale public company" in Viet Nam. In summary, it refers to a public company with paid-up charter capital of VND120 billion or more, and with no less than 300 shareholders, in accordance with the list announced by the SSC.

3. Strengthening of Disclosure Information of Public Companies and Large-Scale Public Companies

The Law on Securities imposes on public companies (see previous section) periodical disclosure requirements. Also, pursuant to Circular No. 52/2012/TT-BTC and Circular No. 155/2015/TT-BTC, the same level of rigid information disclosure is imposed on both listed enterprises and large-scale public companies.

According to the law, public companies must periodically disclose information about any one or a number of the following matters: its annual financial statements audited and its biannual financial statements, verified by an independent auditing organization or an approved auditing organization, and its quarterly financial statements, among other information.

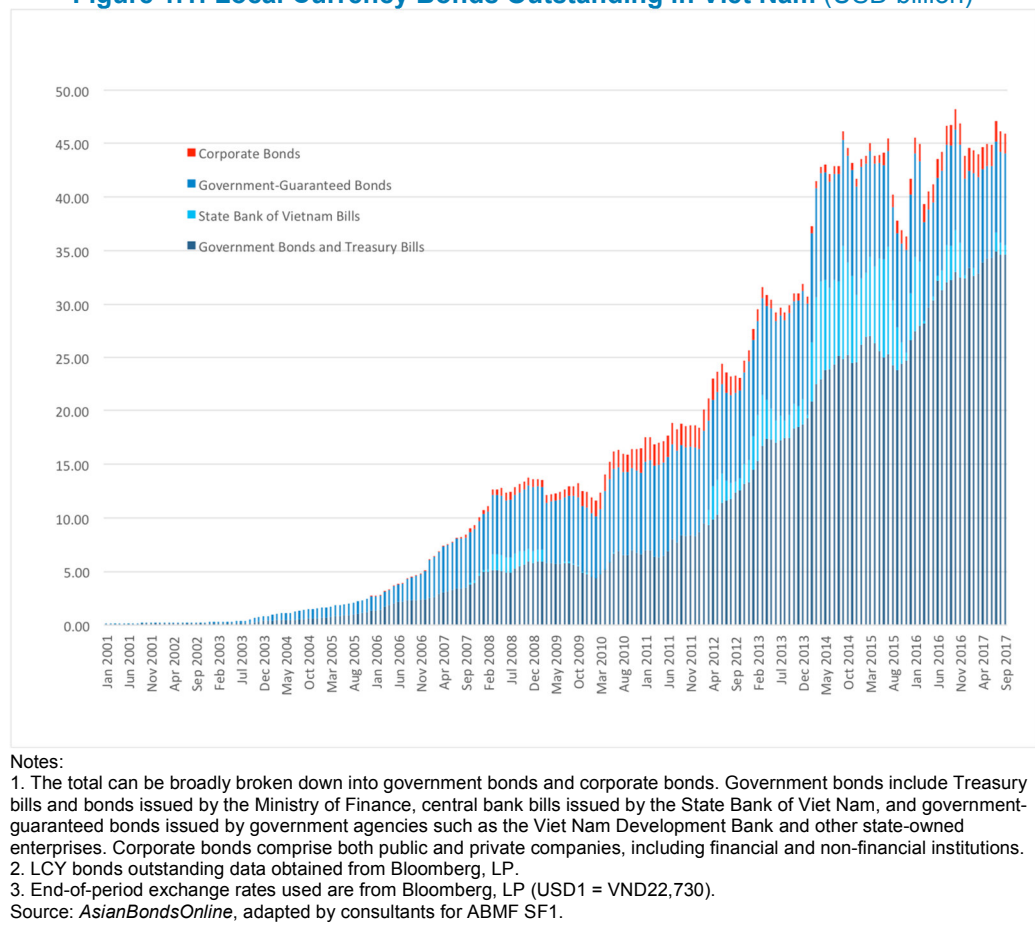
Similarly, the circulars stipulate that a listed organization or a large-scale public company must disclose information about its annual financial statements already audited by an approved auditing organization. In addition, a listed organization or a large-scale public company must prepare and disclose information, such as its semi-

annual financial statements (for the first 6 months of a financial year), which have been verified by an approved auditing organization in accordance with the auditing standards, within 5 working days from the date on which the approved auditing organization signs the verification report. The listed organization or large-scale public company must also disclose its quarterly financial statement or the reviewed quarterly financial statement, if so available.

D. Current Viet Nam Bond Market Overview

The Viet Nam bond market consists of two market segments: the OTC market and the exchange market. Traditionally, most bonds were traded in the OTC market bilaterally by phone or some other measure. However, in recent years, the proportion of the exchange market has been growing. More than 90% of all bonds issued in Viet Nam are government-sector bonds (Figure 1).

Figure 1.1: Local Currency Bonds Outstanding in Viet Nam (USD billion)



Corporate bonds listed on HNX and HOSE are traded on these two exchanges, although trading volumes and values are still very small compared with those of unlisted bonds. Unlisted corporate bonds are traded in the OTC market.

Government bonds—comprising central government bonds, government-guaranteed bonds, and municipal bonds—and foreign-currency-denominated bonds are listed and traded in the specialized government bond market, which is operated by HNX.

All government bond trading is done via HNX's electronic bond system, through the following methods: as an electronic order, a request for quote order, and the put-through method. More than 90% of bond trading is done via the put-through method, where the trading counterparties agree on a trade outside the exchange, then capture trade details into the exchange system for electronic trade matching.

At the same time, bond ownership transfers are not valid unless bond transactions are recorded on HNX's electronic bond system and settled at VSD.

VSD is the central securities depository for all bonds listed on HNX and HOSE. All bond transactions are settled in VSD. Cash settlement for government bond transactions has been implemented via SBV, the central bank of Viet Nam, since 1 August 2017. BIDV had been designated as the only cash settlement bank in the Viet Nam bond market before August 2017.

E. Roadmap for Developing the Bond Market, 2017–2020 and Vision Toward 2030

With the Roadmap for Developing the Bond Market, 2017–2020 formally adopted in Decision No. 1191/QĐ-TTg in August 2017 (henceforth, the 2017 Roadmap), the MOF and the SBV set the stage for a significant revamp of the country's bond market over the next few years. The decision states that, in the next 3 years, the policy framework for the bond market will be further improved while the primary and secondary markets, intermediary institutions, and market services will be developed further. Key among the initiatives contained in the roadmap is the goal to increase the size of the existing bond market to 45% of GDP in 2020 and to 65% of GDP in 2030. The outstanding amount of government bonds, government-guaranteed bonds, and municipal bonds should be about 38% of GDP in 2020 and about 45% of GDP in 2030. Corporate bonds outstanding should be about 7% of GDP in 2020 and 20% in 2030.

In summary, the roadmap aims to establish and develop the bond market in line with the development of the economy and in sync with other components of the financial markets including the interbank money-credit market. Its objectives include developing the bond market both in breadth and in depth, ensuring systemic safety, following international standards and best practices, modernizing the bond market's infrastructure to enhance fund-raising capabilities, and allowing the bond market to become an important channel for the raising of medium- and long-term funds with reasonable costs. Among the initiatives, developing the government bond market will be the priority and the foundation for the development of the bond market, boosting the development of the corporate bond market to support enterprises in raising funds (especially medium- and long-term funds), and helping to enhance corporate management and information disclosure. Overall, developments are expected to enhance and ensure the transparency and publicity of information, protecting the lawful interests of market participants.

A detailed list of individual objectives and proposed solutions contained in the roadmap is provided in Chapter X.B.

F. Regional and Global Cooperation

1. Cooperation under the ASEAN Integration Framework

In addition to their contribution to ASEAN Economic Community plans, Viet Nam's policy bodies and regulatory authorities participate in a range of ASEAN and ASEAN+3 initiatives for the bond (or securities) market.

These initiatives include the ASEAN+3 Bond Market Forum (ABMF), a platform for dialogue between public and private sector stakeholders, which focuses on the development of the local currency bond markets in the region through both regulatory initiatives and standardization or harmonization of market practices. HNX, VBMA, and VSD are member institutions of ABMF.

The ASEAN Capital Markets Forum (ACMF), made up of the region's regulatory and supervisory authorities for the capital market, has been working on a number of regional policy initiatives, recently summarized in the ACMF Vision 2025.

Among these initiatives, the ACMF Action Plan, 2016–2020 contains the ACMF Market Development Program, which will be a common platform to coordinate capacity building programs and efforts to optimize resources and avoid duplication of programs, with a particular focus on the so-called CLMV economies (Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam). ADB is a partner with ACMF in these efforts.

2. ASEAN Exchanges Chief Executive Officers' Meeting

In October 2016, the 25th ASEAN Exchanges Chief Executive Officers' Meeting was convened in Ha Noi, which marked the second time HNX had hosted the event. The meeting gathered together officials from 10 stock exchanges representing 9 ASEAN countries. ASEAN exchanges have managed to implement practical collaboration activities such as joint promotion programs and the networking of brokers and listed companies in ASEAN markets. In the same month, the 3rd ASEAN Broker Networking event was successfully held by HNX, with the participation of 137 delegates from 42 Vietnamese brokers and 33 firms in the ASEAN region. The event set up 70 bilateral meetings among ASEAN and Vietnamese brokers to assist them in understanding the ASEAN investment environment and in exploring cooperation opportunities.

3. United Nations Sustainable Stock Exchanges Initiative

On 18 May 2015, HOSE and HNX joined the United Nations Sustainable Stock Exchanges initiative as part of its regional dialogue in Bangkok hosted by the Stock Exchange of Thailand.

Legal and Regulatory Framework

A. Legal Tradition

Viet Nam's legal system is based on the civil law tradition. Many of the relevant laws and regulations for the securities market have been in place since the late 1990s and continue to be revised and adjusted to the requirements of modern financial and capital markets, with significant revisions and additions, particularly since 2010.

B. English Translation

1. Translation of Legislation into English

Viet Nam does not have an official requirement to translate legislation into English. Instead, the respective regulatory authorities (MOJ, MOF, and SSC), the key exchange (HNX) and market associations, such as VBMA, take it upon themselves to provide an unofficial English version of applicable laws and regulations to the market at large. This may sometimes lead to differences in interpretation of the original Vietnamese version.

As an example, on the HNX website, consideration is given to inquiries from other markets by allowing to search for documents in English by type, document number, content, issuer, issue date, and effective date.⁴ Similarly, HNX provides easily accessible reference list pages for English translations in each category of official documents like laws, decrees, circulars, decisions, and rules. The English language translations accessible on the HNX website are consistent with the translated version of the documents shown on the website of the Ministry of Justice.⁵ However, it usually takes a few months from the time the related laws and regulations are promulgated until the English translation is posted on the above sites.

As such, the unofficial translations by governmental bodies and regulatory authorities are practical resources for the study of the securities market. Although these unofficial translations typically state that every effort has been made to convey the meaning and effect of each provision of the original language version as accurately as possible, these English translations do not carry any legal authority. Only the original text has legal force and, hence, the English translation and the citations in the Viet Nam Bond Market Guide are strictly for reference only.

2. Promotion of Information Disclosure in English

As part of the efforts to further attract foreign investors and raise the profile of the securities market, HNX promotes information disclosure in both Vietnamese and

⁴ See <https://www.hnx.vn/en-gb/van-ban-phap-ly.html>

⁵ See <http://vbpl.vn/TW/Pages/vbpqen.aspx>

English, applicable for information to be disclosed by HNX and by the enterprises via HNX.

On its own website, HOSE displays all publicly accessible information in two languages, Vietnamese and English, providing foreign investors more opportunities to analyze the performance of the Vietnamese securities market.

The HNX encourages enterprises to actively improve the information disclosure in English, step by step, in the spirit of the Circular Providing Guidelines for Information Disclosure on the Securities Market (No. 155/2015/TT/BTC). This circular led to the HNX Investors Corner's reference system being supplemented, upgraded, and updated on an annual basis.

The new disclosure rule provided detailed guidance on the information disclosure regulations in the aforementioned circular in that companies registered with the Unlisted Public Company Market, listed companies, and member securities firms were encouraged to make information disclosure in English.

C. Legislative Structure

Like many ASEAN+3 economies, Viet Nam features a multitiered legislative and regulatory system structure to govern the financial and capital markets.

The Constitution of the Socialist Republic of Viet Nam (adopted on 28 November 2013 by the 13th National Assembly and effective on 1 January 2014), which is also referred to as the 2013 Constitution, is the basis for the legislative and regulatory structure of Viet Nam:

- [1st tier] Constitution of the Socialist Republic of Viet Nam
- [2nd tier] Laws (key legislation issued by the National Assembly)
- [3rd tier] Decrees (issued by the Prime Minister on behalf of the Government)
- [4th tier] Circulars (issued by regulators)
- [5th tier] Decisions (issued by the Prime Minister, regulators, or market institutions like HNX, and approved by regulators)
- [6th tier] Rules (issued by market institutions like HNX, and approved by regulators)

Table 2.1 applies the prevalent legislation and regulations to the individual tiers of the legislative structure for the financial and capital markets. For a full list of laws, decrees, circulars, and other regulations with a direct relevance for the bond market in Viet Nam, please refer to Appendix 3 in the Viet Nam Bond Market Guide.

1. Fundamental Legislation

Fundamental legislation refers to laws and decrees that establish roles and responsibilities of organizations in society and define the organs and functions of such organizations. The best example in this context is the Law on Enterprises.

The 2014 Law on Enterprises (often referred to as the LOE) simplified the procedures for the establishment of enterprises and introduced new management structures for companies. According to the Law on Enterprises, enterprises include limited liability companies, joint-stock companies (shareholding companies), partnerships, private companies, and groups of enterprises. In general, enterprises fall into the following three categories:

- i. limited liability company with one member,
- ii. limited liability company with two members or more, or
- iii. joint-stock companies or shareholding companies.

Table 2.1: Examples of Securities Market Legislation by Legislative Tier

Legislative Tier	Content or Significant Examples
2013 Constitution	Political System, Rights, and Duties
Laws (fundamental or key legislation)	<ul style="list-style-type: none"> • Law on Enterprises (No. 68/2014/QH13) • Law on Securities (No. 70/2006/QH11) • Law Amending, Supplementing a Number of Articles of Law on Securities (No. 62/2010/QH12)
Decrees (providing detailed guidelines on the implementation of the law)	<ul style="list-style-type: none"> • Decree on Issuance of Government Bonds, Government-Guaranteed Bonds and Local Government Bonds (No. 01/2011/ND-CP) • Decree on Issuance of Corporate Bonds (No. 90/2011/ND-CP) • Decree Stipulating in Detail and Guiding the Implementation of a Number of Articles of the Securities Law and the Law Amending and Supplementing a Number of Articles of Securities Law (No. 58/2012/ND-CP) • Decree Providing for the Sanctioning of Administrative Violations in the Domains of Securities and Securities Market (No. 108/2013/ND-CP) • Decree Amending, Supplementing Several Articles of the Government's Decree No. 58/2012/ND-CP on Providing Specific Provisions for the 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 (No. 60/2015/ND-CP) • Decree on Requirements for Investment and Trading in Securities (No. 86/2016/ND-CP) • Decree Providing for Issuance, Registration, Depositing, Listing and Trading of Government Debt Instruments on Securities Market (No. 95/2018/ND-CP)
Circulars, guiding circulars, and circulars providing guidelines	<ul style="list-style-type: none"> • Circular Providing Guidelines on Issuance of Government Bonds in Domestic Market (No. 111/2015/TT-BTC) • Circular Providing Guidelines on Issuance of Government-Guaranteed Bonds (No. 99/2015/TT-BTC) • Circular Providing Guidelines on Issuance of Municipal Bonds in Domestic Market (No. 100/2015/TT-BTC) • Circular Providing Guidelines on the Trading of Government Bonds, Government-Guaranteed Bonds and Municipal Bonds (No. 234/2012/TT-BTC) • Circular Amending, Supplementing a Number of Articles of Circular No. 234/2012/TT-BTC (No. 10/2017/TT-BTC) • Circular Guiding Implementation of a Number of Articles of the Government's Decree No. 90/2011/ND-CP on Issuance of Corporate Bonds (No. 211/2012/TT-BTC) • Circular Guiding Operation of Foreign Investors on Vietnamese Securities Market (No. 123/2015/TT-BTC) • Circular Guiding in Details a Number of Articles about Securities Listing on the Decree No. 58/2012/ND-CP Stipulating in Details and Guiding the Implementation of a Number of Articles of the Securities Law and the Law Amending and Supplementing a Number of Articles of Securities Law (No. 73/2013/TT-BTC) • Circular Providing Guidelines for Information Disclosure on Securities Market (No. 155/2015/TT-BTC) • Circular Providing Guideline for Listing of Securities on Stock

	Exchanges (No. 202/2015/TT-BTC) <ul style="list-style-type: none"> • Circular Providing Guidelines for Trading on Securities Market (No. 203/2015/TT-BTC)
Decisions (by the State President, Prime Minister, or People's Committee; or a guideline from the Vietnam Securities Depository Center)	<ul style="list-style-type: none"> • Decision on Approving the Strategy for Development of Vietnam's Securities Market During 2011–2020 (No. 252/2012/QĐ-TTg) • Decision Approving the Roadmap for Developing the Bond Market, 2017–2020 and Vision Toward 2030 (No. 1191/2017/QĐ-TTg) • Decision Promulgating the Regulation on Registration of Securities Trading Codes of Foreign Investors at the Vietnam Securities Depository Center (No. No 47/2013/QĐ-VSD)
Rules (of the Exchange)	<ul style="list-style-type: none"> • Regulation on Information Disclosure of Hanoi Stock Exchange (No. 606/QĐ-SGDHN)

Source: Adapted by ADB consultants for ABMF SF1 from Hanoi Stock Exchange. <https://www.hnx.vn/en-gb/van-ban-phap-ly.html>

Among the features of a limited liability company, shareholders, referred to as members, can include corporations or individuals, with the maximum number of members limited to 50 parties. Having a single investor is described as a limited liability company with one member, and two or more investors create a limited liability company with two members or more.

A limited liability company cannot issue shares. Members are responsible for corporate debt and any other obligations to pay within the range of their respective investment amounts into the company.

Under the Law on Enterprises, foreign investors can also establish a company in Viet Nam. The law also added a new definition relating to the ownership ratio of foreign investor(s). As a result, many foreign companies have increasingly been establishing Vietnamese domestic companies. Foreign companies entering the Viet Nam market typically choose the form of a limited liability company or a joint-stock company. The limited liability company is the most common company form in Viet Nam.

The Law on Enterprises also facilitated the means for a shareholding company to issue debt by stating their rights to issue corporate bonds, convertible bonds, and other types of bonds as an extract from Article 127 on the Issue of Bonds describes:

- (1) A shareholding company may issue bonds, convertible bonds and other classes of bonds in accordance with law and the charter of the company.
- (2) A company which fails to pay in full for the principal and interest of issued bonds or fails to pay or fails to pay in full for due debts in [3] consecutive preceding years shall not have the right to issue bonds, unless otherwise stipulated in the law on securities.
- (3) The issue of bonds to creditors being selected financial institutions is not restricted by clause 2 of this article.

2. Key Legislation

Key legislation in this context refers to laws specific to the bond market or the securities market at large.

The key function of regulating securities and the securities market falls to the Law on Securities, which was first promulgated in January 2007 as Law No. 70/2006/QH11 and amended in July 2011 by Law No. 62/2010/QH12.

The Law on Securities is the highest regulatory document governing the offering, listing, and trading of corporate bonds. The scope of this law covers public offers in detail and nonpublic offers (private placements) of securities in part, and contains provisions for listing and trading securities, conducting business related to and investing in securities, providing securities services, and the securities market at large.

It is applicable to all Vietnamese and foreign institutional and retail investors, and covers all organizations and individuals involved in securities activities and the securities market. The English text of the law is available from the HNX, MOF, and SSC websites.

In Article 6, the law defines the activities and participants in the securities market and states that investors mean domestic or foreign institutions and individuals participating in investment in the securities market, and provides a definition for institutional securities investors as being commercial banks, financial companies, financial leasing companies, insurance organizations, and securities trading organizations. This definition constitutes, to date, the professional investor category in the Vietnamese securities market.

The law regulates the issuance of securities via a public offering, defined as an offering of securities via mass media, including the Internet, an offering to 100 or more investors, excluding institutional (professional) investors, or an offering to an unspecified number of investors.

Consequently, the law also stipulates the requirements for nonpublic offers of securities (private placements), which are defined as offers of securities to less than 100 investors, not including institutional (professional) securities investors, and that do not use mass media or the Internet. For more information on the issuance methods for bonds in the Viet Nam market, please refer to Chapter III.E.

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

The law also contains the unique definition of public company in Viet Nam, described earlier, under which companies that have more than 100 shareholders will become public companies even if their shares are not listed on an exchange. At the same time, the more common definitions of a public company continue to coexist in the law, i.e., as a company that has made a public offer of shares or a company that has shares listed on an exchange. The importance of being considered a public company is stated in Article 27 of the law, in that public companies have the obligation to disclose information relating to the company, to comply with the principles on corporate management, and to carry out the registration and safekeeping of its shares at VSD.

As part of the comprehensive review of the bond market and its legislative and regulatory framework by Viet Nam's policy bodies and regulatory authorities, it is expected that the Law on Securities and several related decrees will be completely overhauled and a second-generation securities law will be promulgated in the course of 2018.

3. Legal Frameworks Specific to the Bond Market

The legal framework specific to the bond market in Viet Nam—presented here as of the end of 2017—is supplemented by a number of key decrees. Decrees provide detailed prescriptions and guidelines on the implementation of a law.

a. Legal Framework for Government Bonds

Decree No. 01/2011/ND-CP (superseded in parts only)

Decree No. 01/2011/ND-CP regulates the issuance of government bonds, government-guaranteed bonds, and municipal bonds. It is the legal basis for the standardization of activities in the primary government bond market and contains provisions on the formation of an effective bond market in accordance with standard international practices.

This decree includes significant changes such as linking government bond issuance with public debt management under the Law on Public Debt Management, which came into effect in 2010. The decree also unifies both international and local government bond issuance in a single decree, and allows government bond issuance to be used to restructure debts and debt portfolios. It also allows bond swapping and the buying back of government bonds before the due date.

In addition, Decree No. 01/2011/ND-CP requires the MOF to gradually set up a market-maker system to improve bond market liquidity. Membership conditions are prescribed by the MOF and are outlined in the decree. Participants in bidding and bond underwriting practices specified in the decree will be considered and recognized as system members, provided they satisfy the stated conditions.

In contrast to preceding decrees, Decree No. 01/2011/ND-CP provides clearer and stricter regulations regarding bond issuance and buying, which allow for more effective control of capital usage from the issuance of government bonds. The decree allows government bond issuance not only to compensate for temporary budget deficits and be used as budget expenditure for developing investment, but also to restructure government debts by lending to other organizations, and to ensure national financial security. Instead of replacing Decree No. 01/2011/ND-CP in full, the Government of Viet Nam decided to revise a number of its provisions through the issuance of Decrees No. 91/2018/ND-CP, No. 93/2018/ND-CP, and No. 95/2018/ND-CP (see below).

Decree No. 95/2018/ND-CP

Decree No. 95/2018/ND-CP, effective from 1 July 2018, superseded a number of provisions in Decree No. 01/2011/ND-CP and added new provisions for the issuance and trading of government bonds. The decree formalized the market-maker concept, the eligibility and requalification criteria, and the process of accreditation by the MOF. The provisions on market makers, however, only apply from 2019 onward.

The decree also includes a 50-year tenor for government bonds and references issuance qualifications and processes for green bonds.

b. Legal Framework for Corporate Bonds

The legal framework for corporate bonds consists of the Law on Securities (see above), as well as Decree No. 58/2012/ND-CP amended by No. 60/2015/ND-CP and Decree No. 90/2011/ND-CP. Decree No. 52/2006/ND-CP, while superseded, is also mentioned, due to its significance in the development of bond market practices during its validity.

Decree No. 52/2006/ND-CP (superseded)

Decree No. 52/2006/ND-CP was eventually replaced by Decree No. 90/2011/ND-CP, but is historically important because it facilitated the commencement of the corporate bond market at large in Viet Nam.

Under Decree No. 52/2006/ND-CP, joint-stock companies, SOEs being restructured into limited liability companies, and foreign-invested companies operating in Viet Nam became eligible to issue corporate bonds. The decree provided for the separate issuance type of private placement of bonds by enterprises of different types, including joint-stock companies, state companies in the course of transformation into limited liability companies, or joint-stock companies under the provisions of the Law on Enterprises and foreign-invested enterprises within the territory of Viet Nam. It stipulated that enterprises will be fully responsible for issuing bonds and making subsequent bond payments, and will commit that capital raised from bonds will only be used for investment projects, resettlement of long- and medium-term loans, and raising operational capital. Bond issuances must also be executed in a transparent manner, guaranteeing the rights of investors. To be eligible, companies had to be operating for at least 1 year, file an audited financial report demonstrating profitable operations in the previous year, and seek approval from relevant authorities for their issuance plan.

Decree No. 58/2012/ND-CP (later amended by Decree No. 60/2015/ND-CP)

Following the amendments to the Law on Securities in 2011, Decree No. 58/2012/ND-CP was issued, containing further specific regulations on the securities market and public companies acting in the securities market. The decree included prescriptions on the rate of foreign ownership in Viet Nam securities on the exchange market, general provisions on the public offering of securities and the different forms of public offers of securities (Article 10), the conditions for a (public) offer of secured bonds (Article 16) (including the need to appoint a representative of bondholders), the conditions for a public offer of securities via a number of offer tranches (Article 17), the conditions for a public offer of securities in Viet Nam by foreign organizations (Article 19), the conditions for offers for sale of securities offshore by Vietnamese enterprises (the need for registration of an offer for sale of securities offshore and its governing practices) (Articles 27, 30–32), as well as the conditions and procedures for listing securities on HNX and HOSE (Articles 53–60), including for Foreign Issuing Organizations (Articles 61–63) and securities listing by Vietnamese issuers on foreign exchanges (Article 64–68).

Decree No. 90/2011/ND-CP

Decree No. 90/2011/ND-CP regulates the issuance of corporate bonds by private placement, including the issuance of international bonds. It replaced both Decree No. 52/2006/ND-CP and the provisions on issuance of corporate bonds in the international capital market in Decree No. 53/2009/ND-CP.

Accordingly, SBV must certify that the value of an international bond issue is within the annual quota on foreign commercial borrowing approved by the Prime Minister.

In addition, Decree No. 90/2011/ND-CP stipulates that the issuer shall send a notification and registration of a bond issuance—domestically or in the international market—to the MOF in writing. It also requires the issuer to submit bond issuance plans, including business information and financial condition, to be approved by the supervisory and/or regulatory authority of the issuer as a prerequisite condition for issuing private placement bonds.

With its promulgation in 2011, Decree No. 90/2011/ND-CP strengthened the information disclosure obligations by issuers, particularly for SOEs, even in the event of issuance via private placement.

4. Circulars

Circulars are regulatory instruments issued by ministers or the head of minister-level agencies in Viet Nam and provide detailed guidelines on the implementation of laws and decrees. For the bond and securities market, the promulgator of circulars is typically the MOF.

a. For Government Bonds

A number of significant circulars for the government bond market are mentioned below.

- Circular No. 111/2015/TT-BTC issued by the MOF provides guidelines for government bond issuance in the domestic market;
- Circular No. 99/2015/TT-BTC issued by the MOF provides guidelines on the issuance of government-guaranteed bonds;
- Circular No. 100/2015/TT-BTC issued by the MOF provides guidelines on the issuance of municipal bonds;
- Circular No. 92/2016/TTLT-BTC-NHNN issued by the MOF and SBV provides guidelines for T-bill auctions via SBV;
- Circular No. 234/2012/TT-BTC issued by the MOF provides guidelines for the trading regime applicable to government bonds, government-guaranteed bonds, and municipal bonds; and
- Circular No. 10/2017/TT-BTC Amending, Supplementing a Number of Articles of Circular No. 234/2012/TT-BTC.

Of particular significance is Circular No. 19/2017/TT-NHNN, which took effect from 12 February 2018, because it contains a provision for financial institutions, including foreign banks who wish to buy government bonds and government-guaranteed bonds.

In Article 17a, the circular defines the ratio of purchase and investment in government bonds and bonds guaranteed by the Government of Viet Nam as follows:

Credit institutions and foreign bank branches shall be entitled to buy and invest in government bonds and government-guaranteed bonds in comparison with the average liabilities of the preceding month at the maximum rate as after:

- i. banks, branches of foreign banks: 30%; and
- ii. non-bank credit institutions: 10%.

Under this definition, government bonds include Treasury bills (T-bills), Treasury bonds, national bonds for national construction; while bonds guaranteed by the government include bonds issued by the government that are guaranteed by the government, bonds issued by a policy bank that are guaranteed by the government, and bonds issued by financial institutions and credit institutions that shall be guaranteed by the government.

According to Article 17, credit institutions and foreign bank branches are entitled to purchase and invest in government bonds (including those entrusted to other organizations to buy or invest in government bonds but not including purchases or investment of government bonds with funds entrusted from other organizations) in proportion to the short-term funds as follows:

- i. state-run commercial banks: 15%;
- ii. joint-stock commercial banks, joint-venture banks, banks with 100% foreign capital: 35%;
- iii. foreign bank branches: 15%;
- iv. non-bank credit institutions: 5%; and
- v. cooperative banks: 40%.

b. For Corporate Bonds

Important among the circulars issued for the corporate bond market is Circular No. 211/2012/TT-BTC, which guides the implementation of a number of articles in Decree No. 90/2011/ND-CP in relation to the issuance of corporate bonds by private placement.

Article 4 of this circular stipulates the conditions under which enterprises may issue bonds repeatedly (e.g., in several tranches); the bond-issuing enterprises may do so if they meet the set conditions of issuance specified in clause 1 of this article but must do so within 12 months using the same application and approval process. In cases where such multiple issuances occur in more than 1 financial year, the bond-issuing enterprises must apply and seek approval for new issuances in each financial year. This limitation may lead to the introduction of a shelf-registration concept and the ability to use medium-term note programs, under policy objectives stated in the 2017 Roadmap.

Article 6 of Circular No. 211/2012/TT-BTC stipulates the regulatory process for bond issuance, detailing the requirements for the notification for registration of bond issuance in international and domestic markets.

As prescribed in Article 30 of Decree No. 90/2011/ND-CP, the bond-issuing enterprises must send a notification for registration to the MOF. The content of the bond issuance notice is to be made in accordance with Annex No. 1 to the circular. When sending the bond issuance notification to the MOF, enterprises are responsible for sending the bond issuance notification to the competent authorities for approval and acceptance of the bond issuance project.

The implementation of the bond issuance notification obligation for enterprises in Circular No. 211/2012/TT-BTC only serves for the MOF to review and monitor corporate bond issuance and does not constitute acceptance of the plan on bond issuance of the enterprises by the MOF, or a confirmation that the enterprises are eligible to issue bonds.

Other important recent bond market related circulars include

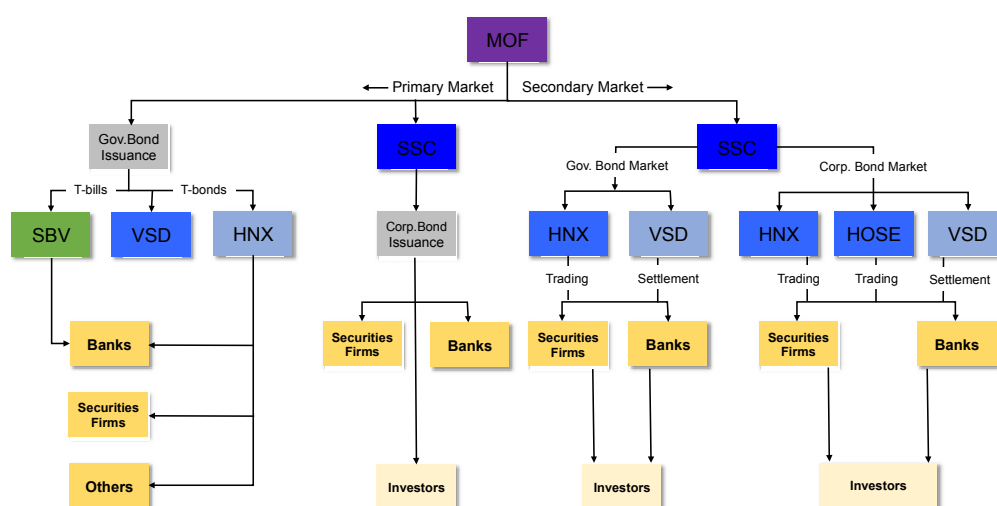
- i. Circular No. 155/2015/TT-BTC on Disclosure of Information on the Securities Market, which compels the following entities to disclose information: public companies, issuing organizations (except in case of bonds guaranteed by the government), securities companies, fund management companies, the stock exchanges, VSD, and affiliated persons;
- ii. Circular No. 204/2012/TT-BTC Guiding the Dossier and Procedure for Public Offering of Securities;
- iii. Circular No. 155/2015/TT-BTC Providing Guidelines for Information Disclosure on Securities Market;
- iv. Circular No. 202/2015/TT-BTC Providing Guideline for Listing of Securities on Stock Exchanges; and
- v. Circular No. 203/2015/TT-BTC Providing Guidelines for Trading on Securities Market.

The 2017 Roadmap (see Chapter I.E) includes a number of legislative and regulatory objectives, some of which are expected to lead to the amendment of laws and decrees to improve the legal framework for the bond market; some of these expected developments are listed in Chapter X.

D. Viet Nam Capital Market Regulatory Structure

The key policy body for legislation, regulations, and the development of the financial and capital markets, and the securities market at large, has traditionally been the MOF. In addition, the SSC, as the specific regulatory authority for the securities market within the MOF, governs the activities of the participants in the bond market, as also detailed in this section.

Figure 2.1: Viet Nam Capital Market Regulatory Environment



HNX = Hanoi Stock Exchange, HOSE = Hochiminh City Stock Exchange, MOF = Ministry of Finance, SBV = State Bank of Vietnam, SSC = State Securities Commission, VSD = Vietnam Securities Depository.
Source: Vietnam Bond Market Association, adapted by consultants for ABMF SF1.

1. Regulatory Environment

The MOF and SBV jointly regulate the financial and capital markets. SBV is the central bank and chief regulatory body for all issues affecting the banking industry and credit institutions. It administers monetary, credit, and banking regulations, and issues regulations on matters such as foreign exchange controls, interest rates, and banking license application procedures.

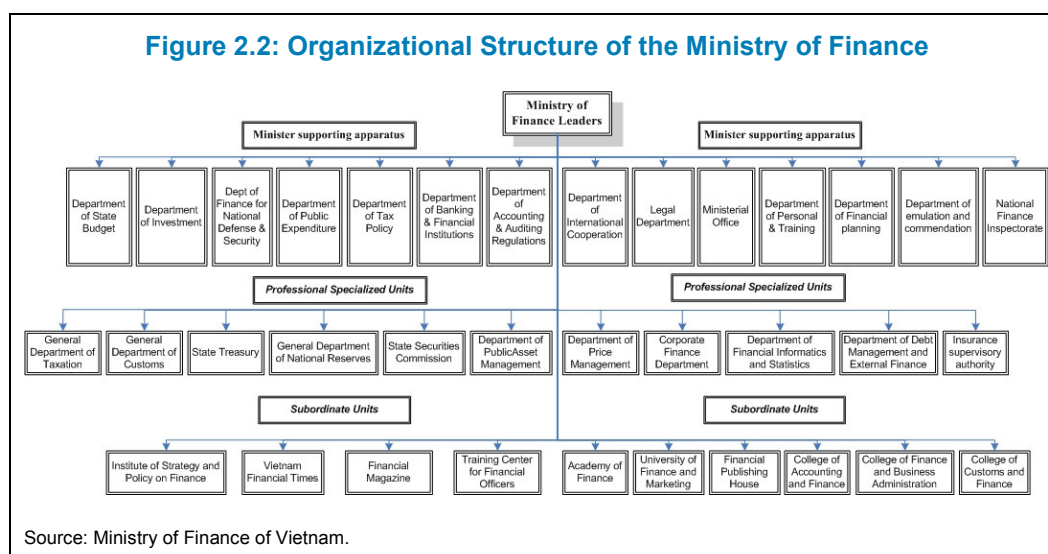
The SSC, which reports to the Minister of Finance, regulates the securities market. HOSE, HNX, and VSD are under SSC supervision, and are required to adhere to regulations relating to accounting, auditing, and statistical reporting. Figure 2.1 provides an overview of the regulatory environment for the capital market in Viet Nam.

2. Ministry of Finance

The MOF is a government agency, which has the function of implementing the state's management of finances. The main tasks and duties of the MOF as a government agency are based on Decree No. 118/2008/ND-CP and include

- i. managing the State Budget;
- ii. managing the collection of tax, fees, and other revenues under the State Budget;
- iii. managing the budget fund, the State reserve fund, and other State financial funds;
- iv. managing the national reserves and State assets by conducting the ownership rights to the State's investment capital in enterprises according to regulations of the law;
- v. managing domestic and foreign government borrowing and debt servicing, as well as international grants; and
- vi. issuing government bonds.

Figure 2.2: Organizational Structure of the Ministry of Finance



In addition, the MOF is also responsible for the regulation of banks and non-bank institutions as issuers of securities and securities market participants; it also participates in the management of the securities exchange market.

Under the 2017 Roadmap (see Chapter I.E), the MOF was assigned the role to organize a periodic dialogue through meetings between the MOF, SBV, and market

members to exchange information and agree on solutions to further develop the bond market. Figure 2.2 illustrates the organizational structure of the MOF.

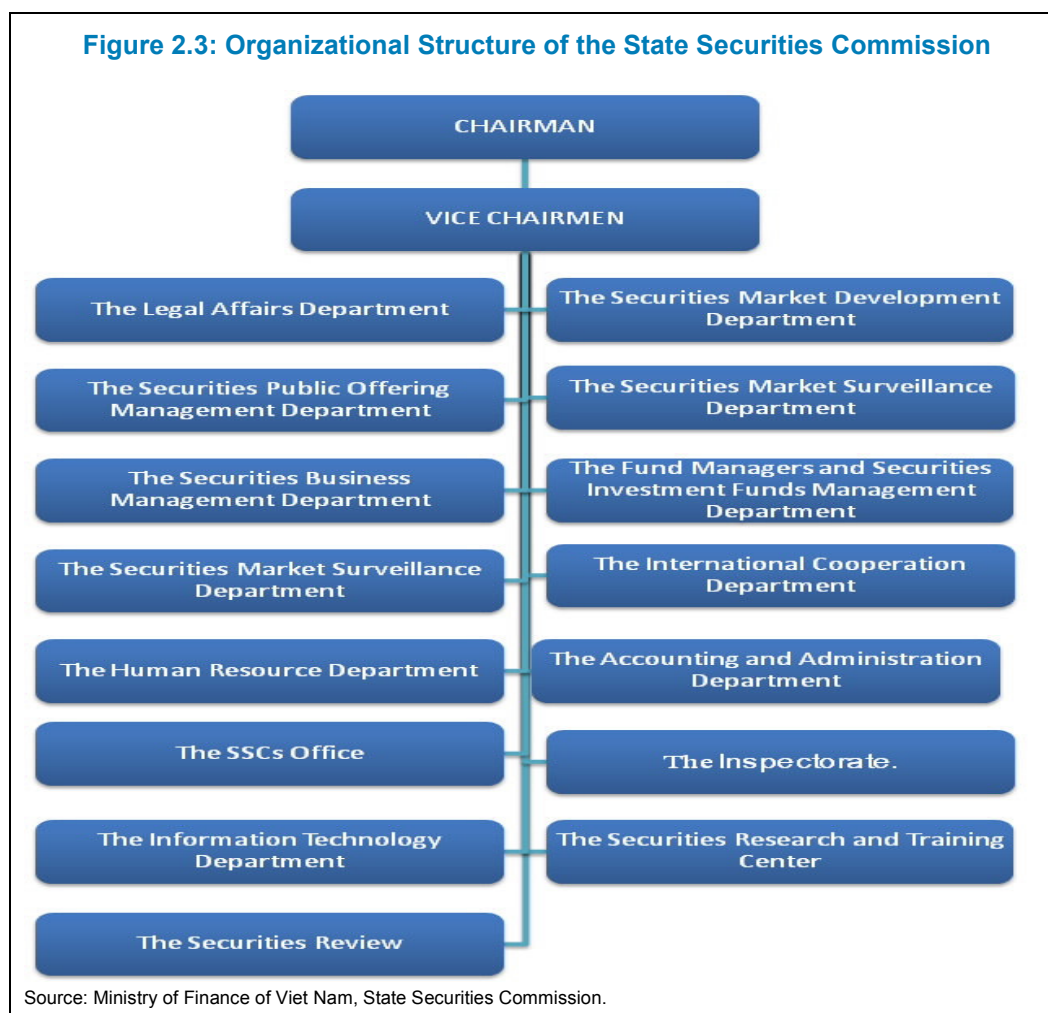
3. State Securities Commission

The SSC is one of the professional and specialized ministerial units of the MOF and regulates and acts as the supervisory agency for the securities market, including for HOSE and HNX. All exchange regulations are authorized by the SSC, which has the power to grant or revoke licenses relating to securities issuance, brokerage, and custody services, suspend trading in securities, and delete listings of companies to protect investors' interests. The SSC came under the jurisdiction of the MOF with effect from March 2004, and exercises the state's regulation of securities and the securities market as stipulated by applicable laws and other duties and powers. Among the key functions of the SSC are

- i. report to the MOF legal documentation relating to securities and securities markets, its strategies, matrixes, and long-term and annual plans;
- ii. implement the legal documents, strategies, matrixes, and plans on securities and the securities market after their ratification;
- iii. advise the MOF to set up, suspend, or disperse the operations of the stock exchanges, VSD, and other institutions related to the securities market;
- iv. ensure that proper reporting by participants is done;
- v. set standard procedures and processes to be applied in organizations under its management;
- vi. issue, suspend, or revoke certificates of registration of securities, registration of securities trading, certificates of securities listing, certificates of securities business, and certificates of securities practices and services;
- vii. organize and manage the stock exchanges, other regulated securities markets, and the central securities depository, registration, and clearing and settlement functions;
- viii. supervise the compliance of rules and regulations;
- ix. implement regular inspections and provide guidelines on securities and securities markets;
- x. provide guidelines and create favorable conditions for securities associations to abide by their objectives, missions, and charters; supervise the compliance of these associations with regulations of securities and the securities market; apply sanctions or propose authorized agencies to apply sanctions for violations of laws by these associations;
- xi. organize scientific research on and analyses of securities and the securities market;
- xii. manage the modernization of the securities market as stipulated by law;
- xiii. carry out international cooperation programs in the fields of securities and the securities market; and
- xiv. provide training programs to market participants.

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

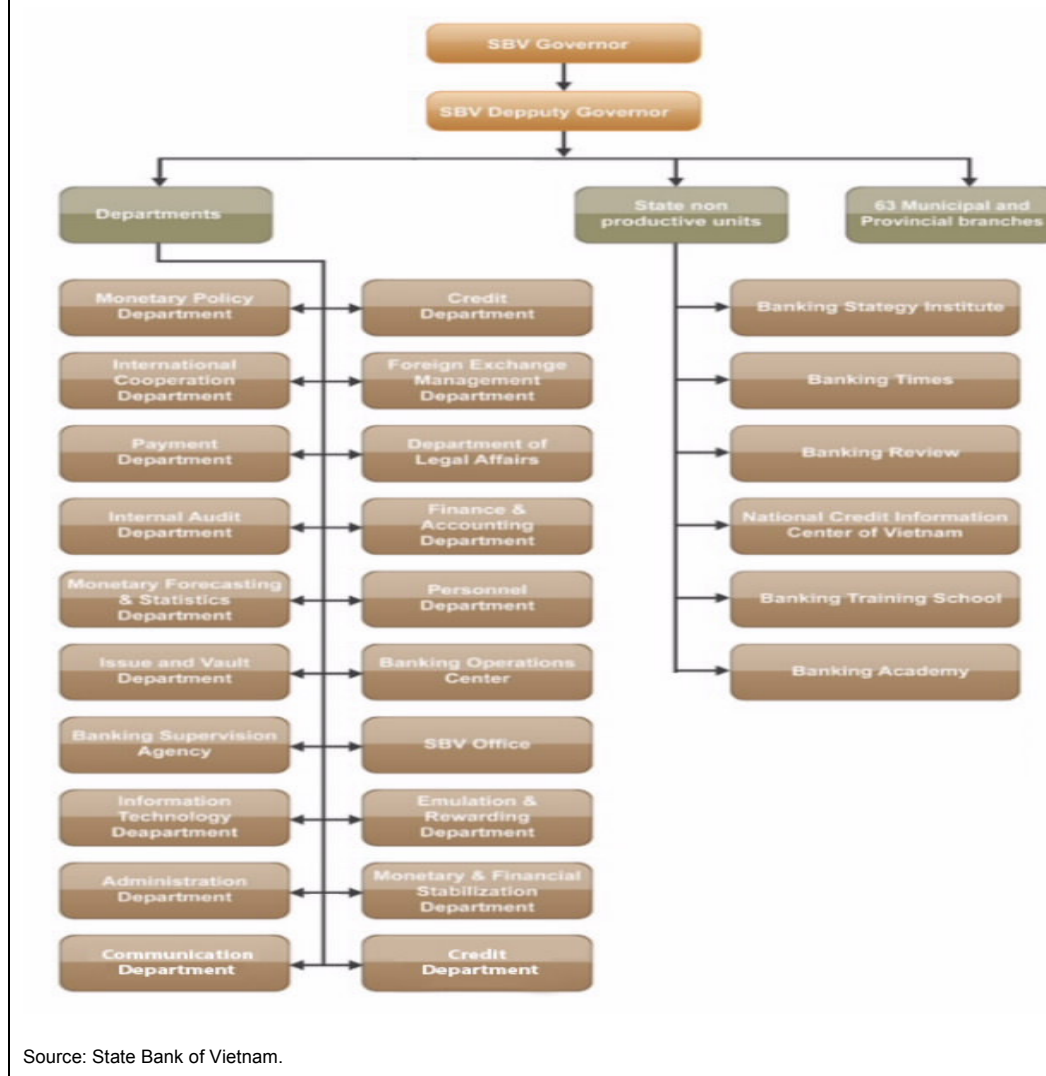
In the context of the bond market, the SSC approves applications (referred to in market terms as “dossiers”) for the issuance of debt securities via a public offering and prescribes initial and continuous disclosure and reporting requirements for issuers and securities market participants. The SSC also approves exchange rules and regulations prior to publication. Figure 2.3 displays the organizational structure of the SSC.

Figure 2.3: Organizational Structure of the State Securities Commission

4. State Bank of Vietnam

SBV is a ministerial agency of the government and the central bank of Viet Nam. Its main functions are to formulate and implement national monetary policy, stabilize the currency, control inflation, and improve socioeconomic development, as well as manage currency, banking, and credit institution activities and contribute to the development of the market structure. SBV also regulates foreign exchange controls for securities market activities.

Figure 2.4: Organizational Structure of the State Bank of Vietnam



The functions, roles and responsibilities, and structure of SBV continue to be supplemented and completed in line with the Law on State Bank of Vietnam, 2010; the Law on Credit Institutions, 2010; and applicable decrees. According to Decree No. 16/2017/ND-CP on Defining the Functions, Tasks, Powers and Organizational Structure of State Bank of Vietnam, dated 17 February 2017, SBV consists of 27 entities, of which 20 entities advise and assist the SBV Governor to perform the state management of central bank functions. The SBV Governor has promulgated several decisions to further define the tasks, mandates, and organizational structure of the SBV functional entities in the following manner:

- i. Monetary Policy Department: advising and assisting the Governor in formulating national monetary policy and utilizing monetary policy tools in line with laws;
- ii. Foreign Exchange Management Department: advising and assisting the Governor in conducting the state management of foreign exchange and foreign exchange operations in line with law;
- iii. Payment Department: advising and assisting the Governor in conducting the state management of payment sector in line with law;

- iv. Credit Department: advising and assisting the Governor in conducting the state management of banking credit operations and managing money market in line with laws;
- v. Monetary Forecasting and Statistics Department: advising and assisting the Governor in conducting monetary forecasts and statistics in line with laws;
- vi. International Cooperation Department: advising and assisting the Governor in conducting the state management of international cooperation and integration under the SBV jurisdiction in line with laws;
- vii. Monetary and Financial Stabilization Department; advising and assisting the Governor in analyzing, assessing, and implementing macroprudential policies for the financial system and formulate measures to prevent financial risks;
- viii. Internal Audit Department: advising and assisting the Governor in conducting an internal audit of the SBV entities' operations;
- ix. Legal Department: advising and assisting the Governor in conducting state legal management and enhancing the socialist legal framework for the banking sector; and
- x. Finance and Accounting Department: advising and assisting the Governor in operating SBV finance, accounting, and basic infrastructure investment, and conducting state management of accounting and basic infrastructure investment of banking sector in line with laws.

In the context of the bond market, SBV undertakes the function of paying agent for government bonds and government-guaranteed bonds. At the same time, SBV also serves as the place of cash settlement for bond transactions in the Viet Nam market, a task that was previously undertaken by commercial banks. This function, started in 2017, is in line with international best practice and acts as a safeguard for the securities settlement system in Viet Nam. SBV also supports the settlement obligations for government bond transactions through the mechanism of overdraft and overnight lending to constituents, using the interbank electronic payment system.

To improve the liquidity and attractiveness of T-bills, the MOF and SBV mutually agreed to have T-bills listed and traded on HNX's bond trading system (see also next section). Figure 2.4 displays the organizational structure of SBV.

5. Hanoi Stock Exchange

HNX, formerly the Hanoi Securities Trading Center, is located in Ha Noi and was launched in March 2005 as an internal organization of the SSC. It handles the auction and trading of stocks, bonds, and derivatives. The Hanoi Securities Trading Center was renamed the Hanoi Stock Exchange in 2009. It was the second securities trading center to open in Viet Nam after the Ho Chi Minh City Securities Trading Center, now HOSE.

HNX is a government-owned limited liability company with single member (for an explanation of this company form see Chapter II.C.1) and operates under the oversight of the SSC. The exchange offers trading membership to domestic market participants qualified under prevailing regulations.

In relation to the bond market, HNX is authorized by the MOF to facilitate the secondary market in government bonds and acts as the only issuing agency for government bonds issued to the market via auction. HNX is also responsible for running a platform to facilitate corporate bond trading, including reviewing and approving the listing of corporate bonds on the trading platform. For more information on HNX and its bond trading platforms and activities, please see Chapter IV. Details on the listing of bonds on HNX can be found in Chapter III.J.

6. Hochiminh Stock Exchange

HOSE, located in Ho Chi Minh City, is the largest exchange in Viet Nam. Established in 2000 as the Ho Chi Minh City Securities Trading Center (HoSTC), it is an administrative agency of the SSC, along with HNX. On 8 August 2007, HoSTC was renamed and upgraded to the Hochiminh Stock Exchange, or HOSE.

Similarly to HNX, HOSE is a government-owned company under the governance of the SSC and operates securities trading platforms for its trading members, admits and administers securities listings, and organizes and monitors the trading members' activities.

Traditionally, large-sized corporations have listed their corporate bonds on HOSE. HOSE administers these listings and its trading members under listing and trading rules approved by the SSC. Please see section I in this chapter for details on the listing and trading rules of the exchanges in Viet Nam.

E. Regulatory Framework for Debt Securities

The SSC is the supervisory authority (in law and regulations often referred to as competent state authority) for the exchanges, VSD, securities companies, securities investment, and fund management companies. The MOF acts as supervisory authority of insurance companies under the provisions of the Law on Insurance Business (as amended). Banks and non-bank financial institutions are supervised by the SBV, pursuant to the Law on Credit Institutions.

Corporate bonds issued by nonpublic offerings and in international markets are under the jurisdiction of the MOF. In addition, the MOF certifies business operators wanting to conduct underwriting of government bonds and private placement bonds.

In the primary market, the issuance of and practices for government securities are regulated by the MOF. Nongovernment securities, including publicly offered corporate bonds, are regulated by the SSC. The issuance of (publicly offered) bonds by banks and other credit institutions is subject to SBV approval, in addition to supervision by the SSC.

In the secondary market, both government securities and corporate bonds are regulated by the SSC. SSC's oversight includes transactions of securities issued by public companies (including listed and unlisted companies), securities companies, fund management companies, securities investment companies, securities exchanges, and VSD. The SSC also promulgates the regulations for the trading, clearing, and settlement of debt securities in the Viet Nam bond market. This includes any revisions to HNX and HOSE rules, and VSD regulations.

The listing of corporate bonds is governed by HNX and HOSE, pursuant to Decree No. 58/2012/ND-CP Providing Detailed Regulations for Implementation of a Number of Articles of the Law on Securities (as amended by Decree No. 60/2015/ND-CP).

Possible imminent changes to the regulatory framework for the issuance of debt securities, as a result of the ongoing review and development plans under the 2017 Roadmap (see Chapters I and X for details), will be reflected in an updated version of the Viet Nam Bond Market Guide.

F. Debt Securities Issuance Regulatory Processes

This description of the regulatory process for debt securities issuance is based on the status of legislation and regulations at the end of June 2018. The potential changes to regulatory processes as a result of the ongoing regulatory review of the bond market will be reflected in an updated version of the Viet Nam Bond Market Guide.

1. Regulatory Processes by Issuer Type

Viet Nam regulations distinguish between domestic and foreign issuers, but there is generally no distinction between general corporate issuers and financial institutions, unless a financial institution intends to issue bonds to satisfy capital requirements, which would require SBV consent. Foreign issuers are subject to the same approval processes for issuance and listing, but have to satisfy additional eligibility and documentation requirements.

Table 2.2: Authorities Involved in Regulatory Processes by Issuer Type

Type of Issuer	SSC Registration (public offers)	MOF (notification to the MOF for private placement)	SBV (financial institutions and nonresidents)	HNX (listing and including profile listing for private placement)
Resident issuer				
Resident nonfinancial institution	X	O		X ^c
Resident financial institution ^{a,b}	X	O	X	
Resident issuing FCY-denominated bonds and notes	N/A	N/A	N/A	N/A
Nonresident issuer ^d				
Nonresident nonfinancial institution	X	O	(X)	X ^c
Nonresident financial institution	X	O	X	
Nonresident issuing FCY-denominated bonds and notes	N/A	N/A	N/A	N/A

FCY = foreign currency, HNX = Hanoi Stock Exchange, MOF = Ministry of Finance, N/A = not applicable, SBV = State Bank of Vietnam, SSC = State Securities Commission.

^a Financial institutions (credit institutions) may issue bonds and notes, subject to SBV regulations.

^b Resident financial institutions in Viet Nam include branches of nonresident financial institutions that fall under the supervision of SBV.

^c HNX requires that all necessary approvals from the SSC are to be obtained prior to a listing of bonds or notes. Written consent should be required from SBV in the case of a shareholding credit institution.

^d All matters related to nonresidents should abide by SBV.

Notes: O indicates the requirement in principle to file a report or notification to the MOF in writing for registration; X indicates approval required.

Source: ADB consultants for SF1.

Similarly, a planned bond issuance by an insurance company requires the consent of the MOF as the insurance regulator, and those from a securities business provider may require the consent of the SSC.

Additional approvals from SBV and specific reporting are needed by issuers planning to issue bonds or notes in a foreign currency in the international market. In the domestic bond market in Viet Nam, corporate bonds can only be issued in Vietnamese dong. Only the government sector may issue bonds denominated in foreign currency.

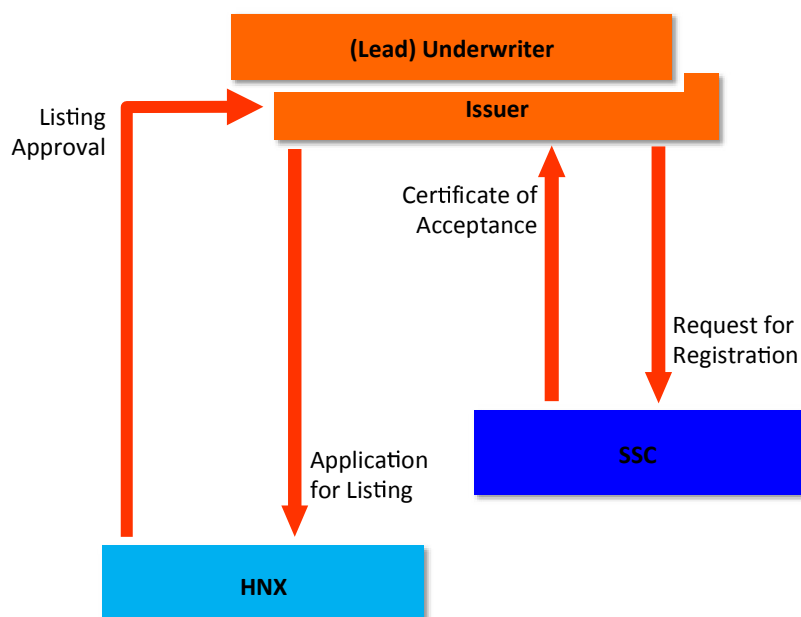
Table 2.2 provides an overview of these regulatory processes by issuer type and identifies which regulatory authority or market institution will be involved in this process. In order to make the issuance processes by issuer type more comparable across ASEAN+3 markets, the table features common issuer type distinctions that are evident in regional markets. Not all markets will distinguish all such issuer types or prescribe approvals. Sovereign issuers are typically exempt from corporate bond issuance approvals but, at the same time, may be subject to different regulatory processes.

The implementation of the bond issuance notification obligation for enterprises to the MOF (as prescribed in Circular No. 211/2012) only serves for the MOF to review and monitor corporate bond issuance and does not constitute an acceptance of the plan on bond issuance of the enterprises by the MOF, or a confirmation that the enterprises are eligible to issue bonds. SBV's involvement depends on whether the bonds are denominated in a foreign currency or the issuer is a domestic credit institution.

2. Regulatory Process Overview

In the case of a public offer, the issuer must appoint an underwriter licensed by the SSC. There is no requirement for the use of an underwriter for a bond or note offering using a private placement to Institutional Investors. However, in cases when an issuer wants to appoint an underwriter, such an underwriter must be licensed by the SSC.

The regulatory process map shown in Figure 2.5 provides an overview of the regulatory processes applicable for public offers of debt securities in Viet Nam; these processes are explained in greater detail in section 4. The regulatory process for private placements differs substantially, in terms of regulatory authorities or market institutions and also in that an approval is not required. Details are provided in section 5.

Figure 2.5: Regulatory Process Map—Public Offerings of Debt Securities

HNX = Hanoi Stock Exchange, SSC = State Securities Commission.
Source: ADB consultants for SF1.

3. Regulatory Process in Case of a Nonresident Issuer

The Law on Securities and related Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP) make it possible for nonresident issuers to offer their debt securities to investors publicly in the Viet Nam market and list the securities on a domestic exchange to raise funds for their business and/or investment in Viet Nam.

The nonresident issuer should also fulfill the applicable conditions under Circular No. 204/2012/TT-BTC on the Dossier of Application for Public Bond Offering in Vietnam of an Enterprise Established and Operated in Accordance with Foreign Law.

Other than these special provisions (please see Chapter II.L.3 for more details), the regulatory processes for debt securities to be issued by nonresidents follow the typical regulatory process for domestic issuers that are explained in sections 4 and 5, even if additional eligibility criteria may have to be met and documentation submitted.

4. Regulatory Process for Public Offers

The provisions for a public offer of debt securities are contained in the Law on Securities (amended by Law No. 62/2010/QH12) and have been augmented through Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP), as well as Circular No. 204/2012/TT-BTC.

In the laws and regulations, an issuer of debt securities is variously referred to as an issuing organization, offering enterprise, or applicant, as the context may demand—all of the terms have the same meaning and may be used interchangeably.

According to the Law on Securities, as specified in Article 12, an enterprise wishing to issue debt securities via a public offer must meet the following eligibility criteria before seeking approval for the issuance:

- i. The enterprise must have, at the time of registration of the offer, a minimum amount of paid-up charter capital of VND10 billion, calculated at the value recorded in the accounting books.
- ii. Business operations in the year immediately preceding the year of registration of the offer must have been profitable, and there must not be accumulated losses calculated up to the year of registration of the offer; there must not be more than [100] overdue debts payable.
- iii. There must be an issue plan and a plan for utilization of and repayment of the proceeds earned from the offer tranche, passed by the board of management, the members' council, or the company owner.
- iv. There must be an undertaking from the issuing organization to discharge obligations to investors regarding conditions of the issue and conditions for payment, ensuring the lawful rights and interests of investors and ensuring other conditions.

Pursuant to the Law on Securities, an issuing organization conducting a public offer of securities, including debt securities, must seek the approval of the SSC; the term used in law and regulations is to “register the public offer of securities” with the SSC.

Exempt from the registration requirement with the SSC are

- i. an offer of bonds by the Government of Viet Nam;
- ii. an offer of an international financial institution's bonds approved by the Government of Viet Nam;
- iii. a public offer of bonds by an SOE converting to a shareholding company; and
- iv. the sale of securities pursuant to a verdict or decision of a court, or the sale of securities by the manager or receiver of assets in a case of bankruptcy or insolvency.

The process for the registration of the public offer is explained on a step-by-step basis below. The illustrated process is for a public offer of debt securities of a domestic enterprise, such as a public company.

The MOF also provides specific regulations on the application for registration of public offers of securities by SOEs, enterprises with foreign-owned capital that convert to become a shareholding company, and newly established enterprises in the infrastructure or high-tech sectors; and for public offers of securities overseas and other particular cases. These other cases are not specifically mentioned here but can be found in the relevant regulations.

Step 1—Application for Registration to the State Securities Commission

For a public offer of debt securities, the issuer must appoint an underwriter licensed by the SSC. The underwriter is expected to support the creation and submission of the application file (registration dossier) to the SSC. The responsibility for the submission of the registration dossier and the information contained therein continues to lie with the issuer.

Article 14.2 of the Law on Securities prescribes the general content of the application file (registration dossier) for the registration of a public offer of bonds, being

- i. a written request for registration of the public offer of bonds (as prescribed further in Annex 01E of Circular No. 204/2012/TT-BTC);
- ii. a prospectus (as prescribed further in Annex 02D of Circular No. 204/2012/TT-BTC);
- iii. the charter of the issuing organization;
- iv. a decision of the board of management, the members' council, or the company owner approving the issue plan and the plan for utilization of and repayment of the proceeds earned from the bond offer tranche;
- v. an undertaking from the issuing organization to discharge obligations to investors regarding conditions of the issue and conditions for payment, ensuring the lawful rights and interests of investors and ensuring other conditions;
- vi. an undertaking to underwrite the issue (if any, according to the form in Annex 03B of Circular No. 204/2012/TT-BTC); and
- vii. the contract for consultancy on the dossier of application for a public bond offering with the securities company, unless the issuer is a securities company.

Pursuant to Article 15 of the Law on Securities, the prospectus for a public offer of bonds shall include the following particulars:

- i. summarized information about the issuing organization including the scale of its managerial organization; its business operations, assets, and financial status; the board of management or members' council or company owner; the director or general director; the deputy director or deputy general director; and the shareholding structure (if any);
- ii. information about the offer tranche and the securities which are the subject of the offer, including conditions of the offer, risk elements, proposed plan on profit and dividends for the next year after the issue of the securities, the issue plan, and the plan for utilization of the proceeds earned from the offer tranche;
- iii. audited financial statements of the issuing organization for the last 2 years, each with an auditor's report; and
- iv. other information as stipulated in the sample form for a prospectus (contained in Annex 02D of Circular 204/2012).

The prospectus for a public offer of bonds must be signed by the chairman of the board of management, or of the members' council, or the company chairman, the director or general director, the financial director, or the accountant of the issuing organization and the legal representative of the underwriter or leading underwriter (if any). There must be a power of attorney if the prospectus is signed on behalf of another person.

As for the contents and treatment of the financial statements required under Article 15, and stipulated in Article 16 of the Law on Securities:

- i. Financial statements shall comprise the accounting balance sheet, a report on results of production and business activities, a cash flow report, and an explanation of the financial statements.
- ii. An issuing organization that is a parent company must lodge consolidated financial statements in accordance with the Law on Enterprise Accounting.
- iii. Annual financial statements must be audited by an approved auditing organization.

- iv. In a case where an application file is lodged prior to 1 March in any 1 year, the annual financial statements of the previous year in an initial application file may be unaudited, but there must also be audited financial statements for the previous 2 consecutive years.
- v. Where a valid application file for registration of a public offer of securities is lodged with the SSC in excess [90] days after the last date of the accounting period of the most recent financial statements submitted with the application file, the issuing organization must prepare additional financial statements up until the most recent month or quarter.

In cases when capital is used for investment, trading, or developing real estate projects, the dossier must contain legal documents relevant to the land tenancy, the investment certificate, the information about the land clearance and compensation, the decision on approving the plan for using the capital from the offering, and the detailed plan for capital use (as stated in Circular No. 204/2012/TT-BTC).

An application file for registration of a public offer of bonds must include a decision of the board of management, the members' council, or the company owner approving the application file.

In the case of a public offer of securities by a credit institution, the application file must include a letter of approval from the SBV.

If a part of or an entire application file for registration of a public offer of securities has been certified by an affiliated organization or individual, then the issuing organization must forward such written certification to the SSC. Issuance consultancy organizations, issuance-underwriting organizations, accredited audit organizations, persons who sign audit reports and any organizations and individuals that certify dossiers of registration of public offerings of securities shall take responsibility for matters related to such dossiers.

The information in an application file must be accurate and truthful, not cause misunderstanding, and must include all the important items that would influence a decision by investors.

If an issuer wishes to issue debt securities that are guaranteed, convertible, or attached with warrants, additional requirements may apply, as stipulated in Articles 12 and 13 of Circular No. 204/2012/TT-BTC.

If an issuer would like to offer debt securities via a public offer in multiple tranches, the prospectus should contain, in addition to the items listed above, the following information (according to Article 14 of Circular No. 204/2012/TT-BTC):

- i. the project or plan for using the capital; and
- ii. the sale plan specifying the anticipated subjects, quantity, and time of each offering; the anticipated offering period must not exceed 90 days.

Before each issue, the issuer must add the documents about the company's condition, the use of money raised from the previous issues if the latter issue is at least 6 months after the previous issue from the day of finishing the previous issuing.

Step 2—Review of Registration Application File by the State Securities Commission

The SSC shall consider the application file within 30 days from the date of receipt of a valid application file (dossier) and, if it approves, issue a certificate of acceptance (of registration) of the public offer of securities. In a case of refusal, the SSC shall provide a written notice specifying its reasons for the refusal.

A certificate of acceptance (of registration) of a public offer of securities from the SSC shall be deemed to be written confirmation that the application file for registration of the offer satisfies all the conditions and procedures stipulated by law.

Step 3—Announcement and Actual Offer

Within 7 days from the date of effectiveness of a certificate of acceptance (of registration) of a public offer of securities, the issuing organization shall be obliged to make an issue announcement in three consecutive editions of a written or electronic newspaper.

Securities may only be offered to the public after these announcements have been made.

Step 4—Securities Distribution

Pursuant to Article 21 of the Law on Securities, the debt securities issued via a public offer may only be distributed after the issuing organization has ensured that securities purchasers have accessed the prospectus in the application file for registration of the public issue of securities announced at locations set out in the issue announcement.

The issuing organization, underwriters, or agency organizations must distribute securities in a fair and public manner and must ensure that the time limit within which investors may register to purchase securities shall be a minimum of 20 days; this time limit must be set out in the issue announcement. In a case where the volume of securities registered to be purchased exceeds the permitted volume for the issue, the issuing organization or underwriter must distribute all of the number of securities permitted for the issue to the investors in the proportion in which each investor registered to purchase.

Purchase monies for securities must be paid into an escrow bank account and retained until completion of the offer tranche and until a report has been made to the SSC.

The issuing organization must complete distribution of the securities within 90 days from the date of effectiveness of the certificate of acceptance (of registration) of the public offer of securities. If the issuing organization is unable to complete the public distribution of securities within this time, then the SSC may consider an extension of the time for the securities distribution but shall not grant an extension beyond 30 days.

The issuing organization or underwriter shall, within a time limit of 10 days from the end of an offer tranche, report the results of the offer tranche to the SSC, enclosing a letter of confirmation from the bank where the escrow account was opened and stipulating the amount of the proceeds received from the offer tranche.

The issuing organization, underwriters, or agency organizations must deliver the securities or certificates of ownership of the securities to purchasers within 30 days from the date of the end of an offer tranche.

Step 6—Listing of Debt Securities (Optional)

The issuer may wish to list their corporate bonds on either HNX or HOSE. If so, the issuer and the issued bonds will need to fulfill eligibility criteria stipulated in Chapter 5 (Listing, Registration for Trading, and Prohibited Transactions) of Decree No.

58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP), and observe the listing rules issued by the respective exchange.

Please see details on the listing eligibility and listing rules in section I of this chapter and in Chapter III.J for a complete description of the listing process for debt securities.

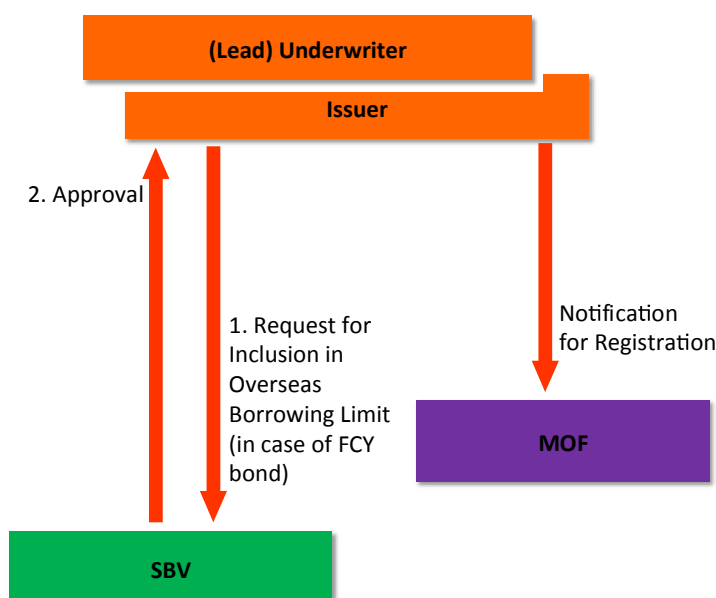
5. Regulatory Process for Private Placements

In contrast to the issuance of debt securities via a public offering, offers via private placement do not require the approval of the SSC. Instead, the issuer needs to notify the MOF of its intention to issue a private placement. Figure 2.6 provides an overview of the regulatory processes required for straight bonds and individual steps are explained hereafter.

The appointment of an underwriter is not mandated for an issuance via private placements, but should the issuer decide to appoint an underwriter, this firm will have to be licensed by the SSC.

Decree No. 90/2011/ND-CP contains the detailed prescriptions for the issuance of bonds and notes via private placement. As mentioned previously, the descriptions in the Viet Nam Bond Market Guide follow the regulatory requirements present at the time of its compilation. The comprehensive review of the regulatory framework, in particular for bonds and notes issued via private placement, is expected to result in a number of changes, which will be reflected in a subsequent version of the Viet Nam Bond Market Guide.

Figure 2.6: Regulatory Process for Private Placements of Bonds



FCY = foreign currency, MOF = Ministry of Finance, SBV = State Bank of Vietnam.

Note: Bonds in this context refer to straight bonds only. Additional approvals may be required for Issuance of convertible bonds or those with warrants (see text).

Source: ADB consultants for SF1.

Step 1—Submission of Notification to the Ministry of Finance

Pursuant to Article 30 of Decree No. 90/2011/ND-CP, when planning to issue straight corporate bonds by private placement, the bond-issuing enterprises must send a notification in writing for registration to the MOF at least 3 working days prior to the commencement of the bond issuance. The MOF provides specific guidance on the contents of the notification in Annex 1 of the decree.

In contrast, bond-issuing businesses that are public companies shall register plans on any issuance of convertible bonds or bonds accompanied with warrants only after they are approved and accepted by the competent authorities and may issue bonds only upon obtaining written opinions of the SSC. In general, while sending the bond issuance notification to the MOF, enterprises are responsible for sending the bond issuance notification to the competent authorities for any approval and acceptance of the bond issuance that may be required.

Step 2—Disclosure of Information to Investors

For a domestic bond or note issuance, Article 31 of Decree No. 90/2011/ND-CP stipulates that an issuing business is required to disclose information to investors registering for the bond or note purchase. Information to be disclosed must not contain advertisements and offers, and must not be publicized in the mass media, except in the case of information disclosure under the Law on Securities and relevant legal documents. Information to be disclosed covers the following:

- i. total value and term of bond or note;
- ii. financial status of the business at the time of issuance;
- iii. bond issuance plan, plan on use of money raised through the bond or note issuance, and plan on payment of principal and interest approved by the competent authorities (if so applicable); and
- iv. result of a rating by a credit rating agency (if any).

Clause 2, Article 31 of Decree No. 90/2011/ND-CP also states that enterprises wishing to issue bonds or notes in the international market shall disclose information under the prevailing regulations of the issuance markets.

Apart from complying with this decree, issuing businesses that are public companies shall disclose information under prevailing provisions of the Law on Securities.

6. Obligations after Approval and after Issuance

Enterprises issuing bonds or notes in the Viet Nam market are subject to a number of specific reporting requirements following the issuance of the bonds or notes. The applicable laws or decrees differ depending on the method of issuance, as explained below.

a. Public Offers

Pursuant to Article 31 of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP), the issuing business shall disclose information on the result of the issuance to the SCC within 10 days after completing the bond or note issuance via public offer and, at the same time, publish information about the results of the offer tranche in the mass media in accordance with regulations.

The report on the results of the offer for sale sent to the SSC shall at the same time be sent to VSD and the stock exchange in the country where shares of the issuing organization are currently listed, as well as to other bodies in accordance with specialized law.

The MOF provides specific regulations on the form of such reports and items of information to be published.

Issuing organizations making a public offer of bonds or notes are also subject to the periodic disclosure of information and must commit to carry out extraordinary disclosure under specific circumstances under the law. Reporting obligations after approval and after issuance for public offers are stipulated in Articles 101 and 102 of the Law on Securities. Please see section G in this chapter for details on the continuous disclosure requirements for public offers and by public companies, respectively.

b. Private Placements

Pursuant to Article 32 of Decree No. 90/2011/ND-CP, the issuing business shall disclose information on the result of the issuance to the authorities having approved and accepted the bond issuance plan and concurrently to the MOF within 15 days after completing the bond or note issuance via private placement, and containing the following principal details:

- i. the successfully issued bond volume; and
- ii. bond or note terms and interest rates.

For the issuance of bonds to the international market, issuing businesses shall send reports on issuance results to SBV.

7. Issuance Process for a Domestic Financial Institution (Credit Institution)

The issuance process for public offer of bonds and private placements of bonds by a financial institution, domestically referred to as a credit institution in law and regulations, largely follows the processes described under sections 4 and 5, respectively. However, the SBV may impose specific disclosure prior to issuance, and approvals of such issuance for its constituents.

8. Regulatory Process for Foreign-Currency-Denominated Debt Instruments

Under prevailing laws and regulations, the issuance of foreign-currency-denominated bonds or notes in the domestic bond market in Viet Nam may only be undertaken by government entities. Domestically issued corporate bonds may only be denominated in Vietnamese dong. As such, there is no separate process for such issuance.

The currency of a corporate bond issue in the international market can be a freely convertible foreign currency. Pursuant to Article 7 of Decree No. 90/2011/ND-CP, the currency used to pay bond principal and interest must be the same type of currency used in issuance.

G. Continuous Disclosure Requirements in the Viet Nam Bond Market

1. Summary of Continuous Disclosure for Viet Nam Companies

In Viet Nam, both the private company and the public company (joint-stock company or shareholding company) are required to disclose four types of basic financial statements: (i) balance sheet, (ii) income statement, (iii) cash flow statement, and (iv) notes attached schedule. There is no need to include a separate statement of changes in shareholders' equity as one of the basic financial statements since it should be included in the notes.

Companies are required to submit the audited financial statements to the Investment Certificate Issuing Authority, the MOF, and the Municipal Bureau of Statistics within 90 days after the closing date, according to the Law on Enterprise Accounting.

In addition, it is necessary to disclose the financial statements within 120 days after the closing date by way of publication, an announcement in letter form, or similar means.

In the case of a public company (joint-stock company or shareholding company), it is necessary to disclose the financial statements in accordance with the Law on Securities, in addition to the Law on Enterprise Accounting. According to the latter law, it is necessary to complete the audit within 90 days from the closing date and disclose within 10 days from the end date of the audit.

For listed companies, provisions of the exchanges are added, and the disclosure of interim financial statements or quarterly financial statements is required. Quarterly financial statements must be disclosed within 20 days after the quarterly closing date.

2. Disclosure for Public Offers and Listing of Corporate Bonds

a. Law on Securities

Reporting obligations after approval and after issuance for public offers are stipulated in Articles 101 and 102 of the Law on Securities. Accordingly, an issuing organization that completes a public offer of bonds or notes must comply with the obligation to disclose information under Article 102 of the Law on Securities. The period disclosure requirements are stated in Article 101.

Notably, an issuing organization making a public offer of bonds must make an extraordinary disclosure of information within 72 hours of the occurrence of one of the events stipulated in sub clauses (a), (b), and (c) of Clause 2, and in Clause 3, Article 101 of the Law on Securities.

b. Circular No. 155/2015/TT-BTC

Circular No. 155/2015/TT-BTC stipulates information disclosure of organizations issuing and/or listing corporate bonds. The salient points are summarized below.

Public companies (joint-stock company or shareholding company) are required to disclose information as follows:

- i. Each public company must disclose the annual financial statement that is audited by an accredited audit organization following the rules stated in Article 8 of the circular.

- ii. Each public company must prepare an annual report and disclose it within 20 days from the disclosing date of the audited annual financial statement provided that it does not exceed 120 days from the end date of the financial year.
- iii. Information disclosure of offering and report on use of funds:
 - a) Each public company conducting a separate securities offering or public securities offering must perform the information disclosure as prescribed in the Law on Securities.
 - b) In case of a capital mobilization for the execution of an investment project, every 6 months from the closing of the offering until the completion of the project, or until full disbursement of the raised funds, the public company must send a report on the use of the raised funds to the SSC. If there are changes to the plan for the use of funds or purposes of the use of funds, within 10 days from the date on which the decision on changes is made, the issuer must send a report to the SSC and disclose the changes on its website. Every change must be reported in the latest general meeting of shareholders, or a detailed description of the use of raised funds must be made in the audited annual financial statement.

An organization listing corporate bonds that is a public company shall also disclose information as prescribed in Articles 11 (Periodic Information Disclosure), 12 (Irregular Information Disclosure), and 13 (Information Disclosure on Request) of Circular No. 155/2015/TT-BTC. Please also see section I.2 in this chapter for details on disclosure for companies with debt securities listed on HNX.

3. Disclosure Requirement in Case of Private Placement of Corporate Bonds

Public companies (joint-stock company or shareholding company) are required to disclose information based on Article 8 (Periodic Information Disclosure for Public Companies) of Circular No. 155/2015/TT-BTC.

In addition, organizations issuing corporate bonds via private placement should fulfill the disclosure requirements described in Decree No. 90/2011/ND-CP. If the privately placed corporate bonds are listed on HNX, the issuing organization should also fulfill the requirements of Article 11 (Periodic Information Disclosure for Listed Organizations) in Circular No. 155/2015/TT-BTC and the related HNX rules. For a description of the disclosure requirements imposed by HNX, please see section I.2 in this chapter.

Articles 31 (Disclosure of Information) and 32 (Reporting Regime) of Decree No. 90/2011/ND-CP on Issuance of Corporate Bonds contain specific provisions on the initial and continuous disclosure requirements for private placements, as summarized below.

a. Initial Disclosure Requirements

For a domestic bond issuance, the issuing business shall disclose information to investors registering for bond purchase. Information to be disclosed must not contain advertisements and offers and must not be publicized in the mass media, except the case of information disclosure under the Law on Securities and relevant legal documents. Information to be disclosed covers:

- i. total value and term of bonds;
- ii. financial status of the business at the time of issuance;
- iii. bond issuance plan, plan on the use of money raised through the bond issuance, and plan on payment of bond principal and interest approved by competent authorities; and
- iv. results of rating by a credit rating agency (if any).

Within 15 days after completing a bond issuance, the issuing business shall disclose information on the results of the issuance and containing the following principal details:

- i. the successfully issued bond volume; and
- ii. bond terms and interest rate.

Within 15 days after completing the issuance of bonds, an issuing business shall report issuance results to the authorities who approved and accepted the bond issuance plan and concurrently to the MOF.

For the issuance of bonds in the international market, issuing businesses shall send reports on issuance results to SBV.

b. Continuous Disclosure Requirements

The issuer of a corporate bond issued via private placement also needs to carry out continuous disclosure, such as on the payment of bond principal and interest and the use of capital raised through bond issuance.

Annually, before the deadline for payment of the entire bond principal and interest, issuing businesses shall report on the payment of bond principal and interest and the use of capital raised through the bond issuance to the authorities who approved and accepted the bond issuance plans, and concurrently to the MOF and SBV for issuance of bonds to the international market.

Within 15 days after the deadline for payment of bond principal and interest, issuing businesses shall report on the payment of bond principal and interest and the use of capital raised through the bond issuance to the authorities who approved and accepted bond issuance plans, and concurrently to the MOF and SBV for issuance of bonds to the international market.

c. Disclosure Requirements upon Conversion

For convertible bonds or bonds accompanied with warrants, within 10 days after completing the conversion of convertible bonds into stocks or exercising the right of holders of bonds accompanied with warrants to purchase stocks, an issuing business shall send a report to the authorities who approved and accepted the bond issuance, plan and concurrently to the MOF and SBV for issuance of bonds to the international market. Such a report contains the following information:

- i. total value of issued bonds and total value of converted bonds;
- ii. code and volume of converted bonds and distribution of bonds among investors; and
- iii. projected time of depositing, listing, and trading in convertible bonds and written requests for depositing, listing, and trading (if any).

H. Self-Regulatory Organizations and Market Participant Organizations

While there may be no self-regulatory organizations (SROs) in the bond market at present, the legal and regulatory framework in Viet Nam recognizes the concept of a market participant organization as market infrastructure, market participant, or market body with a specific mandate.

1. Self-Regulatory Organizations in the Viet Nam Bond Market

At present, there are no SROs in the Viet Nam bond market.

Both HNX and HOSE are government-owned, single member limited liability companies (see Chapter II.C for details) and operate under the oversight of the SSC. As such, the exchanges cannot be classified as SROs. Similarly, VSD is also a government-owned limited liability company with single member and, hence, is not considered an SRO.

At the same time, the exchanges and VSD set rules for their constituents and specific practices for their listing, trading, and settlement functions under their mandate as a market or settlement system operator. These rules and practices have to be approved by the SSC before being issued but are monitored and administered by the exchanges and VSD.

2. Market Participant Organizations

HNX, HOSE, VSD, securities companies, and fund management companies are considered market participant organizations under the law in Viet Nam.

Market participant organizations in the Viet Nam capital market do not have the legal basis comparable to an SRO. Instead, these organizations function within their mandate, either conferred by the regulatory authorities or market participants.

a. Vietnam Securities Depository

VSD is the single central securities depository in Viet Nam and provides securities registration, depository, and derivatives market-related services and post-trade supporting services to local market participants. Settlement for transactions in both government and corporate bonds listed on the exchanges are conducted via VSD.

VSD was established in accordance with Decision No. 189/2005/QĐ-TTg, dated 27 July 2005, by the Government of Viet Nam, and came into operation in July 2006. VSD changed its company form to a limited liability company with single member owned by the government in 2009 pursuant to Decision No. 171/2008/QĐ-TTg of the Prime Minister on Establishment of Vietnam Securities Depository Based on the Conversion and Reorganization of VSD into a Single Member Wholly State Owned Limited Liability Company as Governed by Securities Law, dated 18 December 2008.

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

- (i) provide services of registration, depository, and clearing and settlement for listed bonds on the exchanges;
- (ii) provide corporate-actions-related services;
- (iii) issue the local securities code for bonds and issue their International Securities Identification Number;
- (iv) organize rights implementation for bondholders on behalf of bond issuers;
- (v) serve as the paying agent for bond

interest and dividends; (vi) serve as the agency for the transfer and carry out the ownership transfer for bonds traded on the exchanges; (vii) securities borrowing and lending related services; and (viii) derivatives related businesses.

As of 31 December 2017, the number of investor accounts managed by VSD was 1,921,554, an increase of 12% over 2016. There were 1,898,993 domestic investor accounts and 22,561 foreign investor accounts, with the following breakdown:

Domestic investors	
- Individuals	1,890,521
- Institutions	8,472
- Total	1,898,993
Foreign investors	
- Individuals	19,696
- Institutions	2,865
- Total	22,561

Article 52 of the Law on Securities requires all public companies to register their securities with VSD, the transfer of ownership is affected by VSD not only for transactions done on the exchange platforms but also for special cases such as a merger between enterprises and off-exchange transactions. Some specific exceptions exist, such as for ownership transfers as a result of inheritance or court orders.

As for bonds and bills, as of 31 December 2017, 1,623 issuers with 2,226 securities codes were registered at VSD, including 618 bond codes and T-bill codes, of which 594 were government bond and T-bill codes, and 20 were corporate bond codes.

As of 31 December 2017, the total number of registered securities units at VSD was nearly 117 billion, an increase of 23% over 2016; the number of registered bonds and T-bills at VSD was approximately 10.2 billion securities units (about 9% of the total registered number).

b. Vietnam Association of Securities Business

The Vietnam Association of Securities Business (VASB) is an industry organization established in May 2004. VASB comprises 14 members, including 13 licensed securities companies and an investment fund management company. The association facilitates relations among its members and acts as a link among market participants, securities trading agencies, state entities, financial organizations, and investors.

Among its work, VASB has created the Ethics Guidelines for Securities Companies, which define best practices for its industry but do not have a legally binding character. Enforcement of ethics and other practices pursuant to the Law on Securities and relevant decrees remains within the remit of the SSC.

c. Vietnam Bond Market Association

The VBMA is a nonprofit organization dedicated to promoting the professional and effective development of the Viet Nam bond market, guaranteeing the legitimate rights and interests of members and, at the same time, ensuring the national interest.

The VBMA has created and maintains a number of industry best practices, including the standard repo agreement.

Since its creation in December 2009, the VBMA has become an important market facilitator. This is evident through a number of mentions in the 2017 Roadmap, which stipulated the VBMA's objectives going forward:

- i. reinforce communication with market participants and enhance the market's operational efficiency;
- ii. organize dialogue and networking periodically between the MOF, SBV, and market participants to discuss and agree on solutions to develop the bond market;
- iii. train and require market participants to comply with regulations while participating in the bond market; and
- iv. complete and promulgate standards for market development as ethical standards, trading standards, standards for methods of corporate bond issuance, sampling prospectus on a consistent basis with the legal framework in order to unify methods of calculation, quotation, and how to conduct transactions in the secondary market.

Given the objectives set for the VBMA by the regulatory authorities, its role and function already come close to what is expected of an SRO.

d. Vietnam Association of Financial Investors

The Vietnam Association of Financial Investors acts as an organization with the protection of investors in mind, but is based on voluntary participation and its work and recommendations have no legally binding character. The Vietnam Association of Financial Investors is a nonprofit organization established under Decision No. 74/2003/QĐ-BNV of the Ministry of Interior in November 2003. Its purpose is to bring together investors, policymakers, and financial advisers to strengthen and enhance Viet Nam's capital markets.

I. Hanoi Stock Exchange Rules Related to Listing, Disclosure, and Trading of Debt Securities

HNX, here used as an example to demonstrate the exchange rules in the Viet Nam market, publishes its listing, disclosure, and trading rules in the form of HNX decisions or regulations, which are available from its website.⁶ The decisions and regulations need to be approved by the SSC prior to publication.

1. Debt Securities Listing Rules

HNX governs the listing of debt securities pursuant to Decision 639/QĐ-SGDHN on Promulgating Securities Listing Regulation of Hanoi Stock Exchange, issued on 13 October 2016. The decision contains listing eligibility criteria and stipulates the listing application documentation and process, the obligations of listed organizations, and delisting processes.

This decision, as well as other regulatory instruments, refer to the process of listing as the "registration for listing" or "listing registration."

⁶ See <https://hnx.vn/en-gb/van-ban-phap-ly.html>

Please see Chapter III.J for a complete description of the listing process applicable to debt securities on HNX.

2. Debt Securities-Related Disclosure Requirements

The basis for information disclosure by listed organizations was set through the publication of Circular No. 155/2015/TT-BTC Providing Guidelines for Information Disclosure on Securities Market, issued by the MOF on 6 October 2015 and effective 1 January 2016.

Disclosure rules and obligations for listed organizations on HNX are defined in Decision No. 606/QĐ-SGDHN on Regulation on Information Disclosure, dated 29 September 2016. Some of the pertinent provisions of the circular and regulation are listed below for easy reference. Please also see section G in this chapter for a description of the generic continuous disclosure requirements for public companies and listed organizations in Viet Nam.

Circular No. 155/2015/TT-BTC defines the means of information disclosure to include (i) websites of disclosers, (ii) information disclosure system of the SSC, (iii) the website of the exchange, and (iv) the website of VSD; as well as other means of mass media as prescribed, such as print newspapers or online newspapers. Listed organizations and registered organizations; affiliated securities companies; listed public funds, and public investment companies shall disclose information using at least the means prescribed in points (i), (ii), and (iii) above.

Article 2 of the regulation includes a good definition of the HNX Corporate Information Management System (CIMS). It defines CIMS as the system receiving reports and disclosure information on HNX from listed organizations, trading registration organizations, member securities companies, and fund management companies.

According to Article 7, the information allowed to be sent by users via CIMS include annual financial statements, audited semiannual financial statements (applied for listed organization, large-scale trading registration organization, and member securities company), and financial adequacy ratio report reviewed on 30 June and audited on 31 December (applied for member securities company).

In contrast, organizations and individuals not registered for CIMS need to send disclosure information simultaneously in written form through dispatch or directly at HNX, and send electronic data to the e-mail address of HNX published on the HNX website.

a. Information Disclosure of Listed Organizations and Large-Scale Trading Registration Organization

Pursuant to Article 11 of Decision No. 606, the principal information disclosure of listed and large-scale organizations consists of periodic or continuous information disclosure, extraordinary information disclosure, and information disclosure on request. The individual disclosure categories reference provisions in Circular No. 155/2015/TT-BTC are as follows:

1) Periodic (continuous) information disclosure

Listed organizations and large-scale trading registration organizations shall disclose information, such as the annual financial statements that are audited by an accredited audit organization, biannual financial statements that are reviewed by an accredited audit organization, quarterly financial

statement or the reviewed quarterly financial statement (if any) periodically as prescribed in Article 11, Circular No. 155/2015/TT-BTC; Clause 1, Article 10 in this regulation and according to the following provisions:

- a) Explanation of difference of at least 5% in business result as prescribed in points c and d of Clause 4, Article 11 of Circular No. 155/2015/TT-BTC is applied to net revenue and profit after tax in the income statement of listed organizations and large-scale trading registration organization.
- b) For corporate governance reports as prescribed in Clause 6, Article 11 of Circular No. 155/2015/TT-BTC, the due date for disclosing the 6-month corporate governance report is no later than 30 July and the due date for disclosing the annual corporate governance report is no later than 30 January of the following year.

In addition to conducting a corporate governance report according to Appendix 5 of Circular No. 155/2015/TT-BTC, the listed organization shall send electronic data of the disclosure information on corporate governance according to Form 09_CBTT/SGDHN issued herewith in Excel format to HNX.

2) Extraordinary information disclosure

Listed organizations and large-scale trading registration organizations must perform extraordinary information disclosure in accordance with Article 12 of Circular No. 155/2015/TT-BTC and Clause 2, Article 10 of this regulation.

3) Information disclosure on request

The listed organization or the large-scale trading registration organization shall perform information disclosure upon request as prescribed in Article 13 of Circular No. 155/2015/TT-BTC.

The beginning and ending time of information disclosure of large-scale trading registration organizations is determined as follows:

- a) The trading registration organization shall begin to perform the information disclosure duty of large-cap trading registration organization when named as a large-cap trading registration organization in a list issued by VSD.
- b) For 1 year from the date of no longer being a large-scale trading registration organization in the list issued by VSD, the trading registration organization shall continue to disclose information as a large-scale trading registration organization as prescribed hereunder.
- c) Within 5 working days before the due date of disclosure for a large-scale trading registration organization, the trading registration organization shall send an announcement to HNX on the termination of information disclosure for a large-scale trading registration organization according to Form 10_CBTT/SGDHN issued herewith.

b. Information disclosure of organizations listing corporate bonds (Article 12 of Decision No. 606)

Organizations listing corporate bonds on HNX need to observe the information disclosure requirements as prescribed in Article 15 of Circular No. 155/2015/TT-BTC (Information Disclosure of Organizations Listing Corporate Bonds) and Clause 2 of Article 10 (Extraordinary Information Disclosure) of the regulation.

1) Extraordinary information disclosure

The organization listing corporate bonds on HNX must perform extraordinary information disclosure within 24 hours according to Article 9 of Circular No. 155/2015/TT-BTC.

Extraordinary information disclosure includes (i) the replacement, appointment, reappointment, or resignation of insiders; (ii) change in related person of insiders; (iii) change in certificate of enterprise registration, certificate of establishment or operation license (e.g., name of the organization, address, charter capital, business line, and legal representative, among others); and (iv) change in enterprise model (contributing capital to establish a company or buying stakes of a company leading such company to become a subsidiary, a joint venture company, or an associate; or the decision on selling stakes of its subsidiary, joint venture company, or associate leading such company to be no longer its subsidiary, joint venture company or an associate; or the decision on dissolution of a subsidiary, a joint venture company, or an associate), apart from information disclosure as prescribed in relevant law.

3. Debt Securities Trading Rules and Conventions

Table 2.3 indicates some of the trading rules and conventions followed at HNX. The trading rules and conventions for the government bond market are governed by the Regulation on Transaction of Government Bonds, Government-Guaranteed Bonds and Municipal Government Bonds, last issued by HNX on 5 July 2017. These and other applicable regulations are available for download from the HNX website.⁷

⁷ See <https://hnx.vn/en-gb/van-ban-phap-ly.html>

Table 2.3: Hanoi Stock Exchange Trading Rules and Market Conventions

Items	Contents
Market Participants in the Trading System	Registered members including commercial banks and securities firms
Trading System Infrastructure	Bond Trading System developed by a local software firm
Securities Traded	Government bonds, government-guaranteed bonds, municipal bonds, T-bills
Quoting Convention	For bonds: quotes in clean price For T-bills: quotes in settlement price
Volume Convention	Bond amount
Minimum Trading Size	For electronic negotiation: 100 bond units For reporting (OTC trade): 100 bond units
Minimum Increment	VND1
Day Count Convention	Short-term instruments: actual/365 Bonds: actual/actual
Standard Settlement Cycle	T+1 or the next business day following the trade date
Closed Period	No closed period applies in the market. Trading and settlement is allowed in the period between the record date up to the coupon payment date, but trading is carried out on an ex-coupon basis. For trading close to the maturity date, the last trading date is 1 working day prior to the last record date.
CCP	There is no CCP for the fixed-income market.

CCP = central counterparty, OTC = over-the-counter, T = trade date, VND = Vietnamese dong.

Note: A bond unit is VND100,000.

Source: Hanoi Stock Exchange.

J. Market Entry Requirements (Nonresidents)

1. Nonresident Issuers

Nonresident issuers may issue bonds and notes in the Viet Nam market, under explicit permission given in the Law on Securities, related decrees, and relevant circulars. The nonresident issuers will have to observe a number of specific provisions for issuance application and documentation, as explained in Chapter II.L.3.

While principally possible, nonresident-issuer, publicly offered corporate bonds have not been issued to date. At the same time, it has not been confirmed yet whether nonresident issuers have issued private placement bonds in Viet Nam.

2. Foreign Investors

The Vietnamese bond market is open to local and foreign investors. Currently, there is no regulation that limits foreign ownership in debt securities. Foreign investors can invest without restrictions in government bonds, government-backed bonds, local government bonds, and corporate bonds, unless otherwise stipulated by the issuing organization.

Foreign investors wishing to invest in listed or unlisted securities issued by a public company have to complete a number of steps before they are able to invest, as mentioned below and explained in the following sections.

Foreign investors need to

- i. obtain a securities trading code (STC) from VSD,
- ii. open a securities account with a domestic custodian,
- iii. have the custodian open a corresponding securities account in the foreign investor's name with VSD,
- iv. open an indirect investment capital account in Vietnamese dong at an authorized bank in Viet Nam, and
- v. have the authorized bank report this investment capital account to the SBV.

3. Allocation of Securities Trading Code for Foreign Investors

Foreign investors (both institutional and individual) shall apply for an STC with VSD when planning to invest in the Viet Nam securities market. This application is typically processed via the custodian appointed by the foreign investor, being a depository member of VSD.

Each foreign investor will be granted one securities trading code. A foreign securities company will be granted two securities trading codes: one for the proprietary trading account and one for the brokerage account.

Foreign investment funds, a multiple investment managers fund, foreign governmental investment organizations, and international intergovernmental investment organizations may apply for multiple trading codes, according to the following principles:

- i. each investment portfolio of foreign government investment organizations or international intergovernmental investment organizations deposited at a custodian bank is granted one trading code; and
- ii. each investment portfolio of multiple investment managers funds managed by a fund manager is granted one trading code; any investment portfolio managed by a fund itself is also granted one trading code.

If changes to the information on the foreign investor occur, the foreign investor, via the depository member, shall report the following to VSD within 30 days of such changes of information:

- i. change of custodian bank where they open their indirect investment accounts;
- ii. change of name, head office, contact address of investors, or trading representative (if any);
- iii. change of passport number or other valid personal certificate (for foreign individual investors), number of business registration certificate or other relevant identifying documents issued by foreign authorities (for foreign institutional investors); and

- iv. change due to a split, merger, or acquisition of the foreign investor.

Changes reported by foreign investors have to be confirmed in writing by VSD.

Detailed procedures of applying for a securities trading code are specified in (i) Circular No. 123/2015/TT-BTC Guiding Investment Activities of Foreign Investors in Vietnam Securities Market, issued 18 August 2015 by the MOF; and (ii) Decision No. 213/QĐ-VSD Updated Guideline on Registration Securities Trading Code of Foreign Investor, issued by VSD on 18 December 2015. Please see section L.1 for details on the procedures and the components of the STC application.

K. Market Exit Requirements (Nonresidents)

1. Nonresident Issuers

There are no specific market exit requirements for nonresident (foreign) issuers.

The remittance of foreign currency for the purchase of Vietnamese dong to support interest payments and the redemption of debt securities is possible through an indirectly-invested capital account, typically referred to as a capital contribution account (CCA).

2. Foreign Investors

There are no specific market exit requirements for nonresident investors. Upon the sale of debt securities, foreign investors are free to repatriate proceeds, including interest and investment gains, using their CCA.

The disposal of debt securities is subject to applicable taxation on a transaction. Foreign investors must complete the declaration and payment of personal income tax (regardless of whether profit arises or not under point c of Clause 4, Article 26 of Circular No. 111/2013/TT-BTC), using standard Form 12/KK-TNCN (in connection with Circular No. 156/2013/TT-BTC).⁸

L. Regulations and Limitations Relevant for Nonresidents

The Viet Nam bond market is open to foreign (nonresident) investors. Foreign investors can invest without restrictions in government bonds, government-guaranteed bonds, and local government (municipal) bonds. Certain limits apply to investment in corporate bonds, most notably convertible bonds, in particular those issued by commercial banks.

Nonresidents need to apply for an STC, but while the STC is required for all investors, including domestic individual and institutions, there are added requirements in the application for nonresidents (see section 1 for details).

Nonresidents will need to open an indirectly-invested capital account, typically referred to as a CCA, in Vietnamese dong. Using the CCA, nonresident investors are able to freely execute foreign exchange transactions; details are explained in section 2.

⁸ The exact language from the aforementioned circular is as follows: "If the company changes the list of capital contributors when transferring capital without documents proving that the capital transferor has fulfilled the tax obligations, the transferee company shall declare and pay tax on the person's behalf."

Overall, Vietnamese authorities have been trying to ease any applicable limitations or restrictions on nonresident investors with regard to bond transactions, including the buying and selling of foreign currencies.

1. Securities Trading Code

According to Articles 3 and 4 of Circular No. 123/2015/TT-BTC, foreign investors who wish to invest in Viet Nam must first apply to VSD to obtain an STC before establishing an account and trading in listed and/or unlisted securities in Viet Nam. The application is submitted via the investor's custodian or other depository member. VSD uses the STC to monitor foreign ownership limits in the equity market.

According to Decree No. 58/2012/ND-CP, amended by Decree No. 60/2015/ND-CP and Circular No. 123/2015/TT-BTC, foreign investors are

- i. individuals with foreign nationalities residing in foreign jurisdictions;
- ii. organizations established and operated under foreign laws and the branches of such organizations, including branches in Viet Nam; and
- iii. 51% or more foreign-owned organizations set up and operated under Vietnamese laws and the branches of such organizations.

The investor must complete VSD's Securities Trading Code Application Form for Offshore Foreign Institutional Investors to invest in Viet Nam's securities markets. The form must be signed by an authorized signatory of the applicant's office. Foreign funds are classified as foreign organizations and shall apply for a trading code as mentioned in under ii above. If the investor is under a fund-sub-fund structure when applying for an STC, the account must be named either the

- i. name of the sub-fund, or
- ii. name of the fund—name of the sub-fund.

The investor—usually assisted by their custodian or another market intermediary, who are depository members—must provide supporting documents to prove the legal status of the applicant. Investors must also ensure that the names are consistent between supporting documents and they exactly match the name used on the application form. If the names do not match, documentation showing the change in name must also be submitted.

Compared to past requirements, the present application process has been simplified. The application comprises only the following documents:

- i. the Application for Registration of Securities Trading Code Form, which is a standard form (an authorized signatory of the foreign investor must sign this form); and
- ii. a power of attorney to authorize a VSD depository member to submit the application to VSD (the power of attorney form is typically provided by the depository member).

Where a foreign investor is an investment fund, the application should also include a valid copy of the certificate registering the establishment of the fund or equivalent data certifying the legal basis for the establishment of the foreign institution, issued by the competent authority of the country of domicile. If those documents are not available, the investor can instead submit one of the following documents: (i) website excerpts of the competent authority of the country of domicile about the fund; (ii) a copy of the fund articles; (iii) a trust deed; or (iv) the fund's tax code, which must be notarized or verified by a notary public.

Documents in English do not need to be translated into Vietnamese. Only documents not in English shall be translated into Vietnamese.

Depository members will update VSD on account opening and closing on a daily basis via the electronic linkage system by 4 p.m. The VSD will verify the provided information and send confirmations at 8:30 a.m., 11:30 a.m., and 4:30 p.m. via the electronic linkage system or via email.

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

With a view to gradually enhance the competitiveness of the Viet Nam securities market and attract more foreign investors to the market, the MOF issued Circular No. 123/2015/TT-BTC on 18 August 2015, which allows the online application for, and allocation of, STCs for foreign investors. Accordingly, VSD developed the online STC registration system for foreign investors and officially launched it on 1 January 2016.

As a result, the time for allocating an STC was shortened to 1 day (from 3–5 days previously), owing to a simplified process for the STC registration. Foreign investors can now open securities trading accounts and make investments right after VSD allocates and certifies the STC electronically.

In the more than 2 years since its launch, the online STC registration for investors has been running smoothly, contributing significantly to the attractiveness of the Viet Nam securities market as one of the many measures that have been applied to attract more foreign investors to participate in the market.

In 2017, VSD allocated 3,277 STCs to foreign investors, up 87.3% in comparison to 2016; among these STCs were 421 STCs for institutions and 2,856 STCs for individuals. As of 31 December 2017, the total number of STC was 23,506, of which there were 19,956 STCs for individuals and 3,550 STCs for institutions.

2. Capital Contribution Account (Indirect Investment Capital Account)

Circular No. 05/2014/TT-NHNN on the Implementation of Indirect Investment Activities in Viet Nam, issued by SBV, governs indirect foreign investors and their activities.

Foreign investors must open an indirectly-invested capital account, typically referred to as a CCA, in Vietnamese dong for capital contributions and securities purchase and sale at an authorized domestic bank (only one bank may be used). The CCA is to be used for all transactions by the investor, including the execution of foreign exchange activities and investment activities, and the receipt of interest and overseas remittances.

To support securities transactions, foreign investors can freely make payments for foreign currency purchases from licensed credit institutions in order to transfer capital, interest, and other incomes overseas through this account. Profits derived from all indirect investment activities must also be remitted to the foreign investor via its CCA.

3. Issuance Requirements for Nonresidents

The Law on Securities and the related Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP) are making it possible for nonresident issuers to publicly offer their securities to Vietnamese investors and list the securities on HOSE or HNX to raise funds for their business and/or investment in Viet Nam.

The nonresident corporate bond issuer must also fulfill the special dossier conditions stipulated in Circular No. 204/2012/TT-BTC, in addition to the general dossier condition stipulated in the same circular (see also section J. in this chapter).

The key points from the relevant laws and regulations are detailed below for easy reference.

a. Law on Securities

Article 40 of the Law on Securities stipulates that the government shall provide regulations on the conditions, application file, and procedures for Vietnamese issuing organizations and foreign issuing organizations to list securities on the exchanges in Viet Nam.

b. Decree No. 58/2012/ND-CP amended by Decree No. 60/2015/ND-CP

Article 19 of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP) stipulates the conditions for a public offer of securities in Viet Nam by foreign organizations:

- i. The business and production operation in the year immediately prior to the year of registration of the public offer was profitable in accordance with international accounting standards.
- ii. There is an investment project in Viet Nam that is approved by the authority of Viet Nam, and a plan for issue and utilization of proceeds earned from the public offer of securities for investment in the project in Viet Nam.
- iii. The total amount of money raised from the offer tranche in Viet Nam shall not exceed 30% of the total investment capital of the project.
- iv. There is an undertaking to underwrite the issue in the form of a firm commitment with [from] at least one securities company that is authorized to underwrite an issue of securities in Viet Nam.
- v. There is a bank supervising the utilization of proceeds earned from the offer tranche.
- vi. The foreign issuing organization must undertake that it will not remit raised capital offshore nor withdraw the portion of its own capital during the licensed duration of the project, and shall fully perform its obligations in accordance with the laws of Viet Nam and comply with the law on foreign exchange control in respect of issue of securities in Viet Nam.
- vii. There is an undertaking from the general meeting of shareholders in the case of public offers of shares and convertible bonds or an undertaking from the board of management or the members' council in the case of public offers of bonds to bring securities into trading in the formal market within 1 year from the selling tranche completion date.

c. Decree No. 70/2014/ND-CP

Article 11 of Decree No. 70/2014/ND-CP Nonresidents as Securities Offering Organizations in Vietnam states that nonresidents as issuing organizations are

only allowed to release Vietnamese dong securities in the territory of Viet Nam on the condition that they must adhere to the Law on Securities and other relevant regulations. Whenever their securities offerings are licensed in Viet Nam, nonresidents issuers must open a Vietnamese dong account (the aforementioned CCA) at one authorized credit institution to perform the transactions of Vietnamese dong receipts and expenditures regarding the securities offering through this account, as stipulated by SBV.

d. Circular No. 204/2012/TT-BTC

Article 11 of Circular No. 204/2012/TT-BTC describes the dossier of a general application for a public offering of securities. For details, please see II.F.4.

Article 16 of the circular prescribes the contents and qualification for the dossier of application for a public bond offering in Viet Nam of an enterprise established and operated in accordance with foreign law:

- i. the documents prescribed in Clauses 1, 3, 5, 6, 7, 8, and 9 of Article 11 of this circular;
- ii. the financial statements in the prospectus prescribed in Clause 2 of Article 11 of this circular must be made in accordance with the international accounting standards, and audited by an audit organization accredited by the competent state agency of the home country;
- iii. the documents about the project of investment in Viet Nam approved by competent agencies;
- iv. the decision of the board of directors, member assembly, or company's owner on approving the issuing plan, the plan for using and repaying the capital raised from the public offering of securities;
- v. the commitment of the issuer to execute the project in Viet Nam, and the commitment not to transfer the raised capital abroad and to not withdraw the private reciprocal capital within the licensed period of the project;
- vi. the commitment of the issuer to fulfill all the responsibilities according to the regulations on foreign currency management of bond issue in Viet Nam and other regulations in Vietnamese law;
- vii. the commitment on securities underwriting in the form of an absolute commitment with a securities company established and operated in Viet Nam, according to the Annex No. 03B enclosed with this circular; if there is a group of securities underwriters, the commitment on securities underwriting must be enclosed with the contract signed by the securities underwriters; and
- viii. the written appointment of a bank to supervise the use of capital raised from the offering.

4. Requirements for Listing of Debt Securities by Nonresident Issuers

In addition to specific requirements for the issuance of debt securities by nonresidents, laws and regulations also contain a number of specific prescriptions for cases when nonresidents wish to list their debt securities on an exchange in Viet Nam. Some of the relevant provisions are detailed below for easy reference.

a. Law on Securities

Article 40 of the Law on Securities stipulates that the government shall provide regulations on the conditions, application file, and procedures for Vietnamese issuing organizations and foreign issuing organizations to list securities on the exchanges in Viet Nam.

b. Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP)

Articles 61 and 62 of Decree No. 58/2012/ND-CP contain relevant provisions for a listing of securities issued by nonresidents. According to Article 61, the conditions for foreign issuing organizations to list securities on exchanges in Viet Nam are as follows:

- i. The securities of the foreign issuing organization have already been offered for public sale in Viet Nam in accordance with the Law on Securities.
- ii. The number of securities registered for listing corresponds to the number of securities permitted to be offered for sale in Viet Nam.
- iii. The conditions for listing prescribed in Articles 53 (HOSE) or 54 (HNX) of this decree have been satisfied.
- iv. The listing organization provides an undertaking to fully discharge all its obligations in accordance with the laws of Viet Nam.
- v. One securities company established and operating in Viet Nam participates in consultancy for listing of the securities.
- vi. There is compliance with the law of Viet Nam on foreign exchange control.

Article 62 of the decree lists the additional requirements for application filing and the procedures for registration for listing by nonresidents. Please see Chapter III.J for details on the specifics for the listing process for nonresidents.

5. Investment in Debt Securities by Nonresidents

With respect to the issuance of convertible bonds, the issuer must ensure that the rate of foreign ownership on the maturity date when these bonds are converted into stocks, or on the date when the stocks are bought, shall conform to the regulations under Article 2a on Rate of Foreign Ownership on Vietnam's Securities Exchange Market (Added) of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP).⁹

While foreign investors are normally able to invest in all types of debt securities in Viet Nam, MOF regulations stipulate that investors without a legal presence in Viet Nam are prohibited from trading T-bills.

M. Regulations on Credit Rating Agencies

Viet Nam's first credit rating agency, VietNamNet Credit Ratings Centre, opened in June 2005. The center had been set up to help develop the market as the first professional credit rating agency in Viet Nam, but discontinued its operations after less than 1 year due to Viet Nam's small credit rating market and a lack of the necessary support from market stakeholders.

Currently, there is no domestic credit rating agency in Viet Nam. At the same time, global credit rating agencies such as Standard & Poor's, Moody's Investor Service, Fitch Ratings, and Rating and Investment Information have assigned credit ratings for Viet Nam.

⁹ In the past, a blanket 49% cap applied to foreign investment in public companies. From 1 September 2015, a public company could increase its foreign ownership ratio up to 100%, subject to the SSC's approval, unless it operates a business activity that has a foreign ownership limit or is conditional for foreign investment (in which case the limit will be as provided in law or, if no specific limit is provided, 49%). The foreign ownership limit in equitized SOEs will be determined in accordance with the Law on Equitization, including the equitization plan for the relevant company.

The Decision Approving the Roadmap for Bond Market Development, approved by the Vietnamese Prime Minister in August 2017, set the goal of requiring corporate bonds and stock issuers to be credit-rated by at least two qualified credit rating agencies. Consequently, this decision set the policy to evaluate the current regulations on the establishment and operation of credit rating agencies.

The actual credit rating requirements for debt securities in Viet Nam are described in Chapter III.O.

N. Regulations on Securities Pricing Agencies

There are presently no securities pricing agencies in Viet Nam. In their absence, the two exchanges are performing the functions of a pricing agency. Please see Chapter III.L for more information on available bond pricing in Viet Nam.

Characteristics of the Viet Nam Bond Market

The Viet Nam bond market is dominated by government and government-linked issuers and debt securities. At the same time, the corporate bond market has grown rapidly since 2009 due to the improvement of the legal framework. Government and some corporate bonds and notes are listed on the exchanges and enjoy high visibility.

The characteristics inherent to the bond market in Viet Nam are described in more detail in this chapter.

A. Definition of Securities

Pursuant to Articles 3 and 6 of the Law on Securities, securities and bonds are, respectively, defined as follows:

Securities means evidence from an issuing organization certifying the lawful rights and interests of an owner with respect to an asset or capital portion. Securities may take the form of certificates, book entries, or electronic data, and shall comprise the following types:

- (a) shares, bonds, and investment fund certificates; and
- (b) share purchase rights, securities rights, purchase options, sale options, future contracts, groups of securities, and securities indices.

Bond means a type of securities certifying the lawful rights and interests of an owner of a part of the capital debt of the issuing organization.

Government related bonds are defined in the explanation of terms (Article 2) of Decree No. 01/2011/ND-CP in the following manner:

Government bonds are bonds issued by the MOF to raise funds for the state budget or for any specific investment projects and programs within the scope of the state's investment.

Government-guaranteed bonds means bonds issued by enterprises, financial and credit institutions, and the bank for social policy of the state subject to the provisions of Article 32 of the Law on Public Debt Management and the payment guaranteed by the government.

Local government bonds mean bonds issued by People's Committees of centrally-affiliated provinces and cities (hereinafter referred to as provincial-level People's Committee) in order to raise funds for the local works and projects.

Corporate bond types are defined in Decree No. 90/2011/ND-CP as follows:

Corporate bond means a type of debt securities issued by a business, acknowledging its obligation to pay both bond principal and interest and other obligations (if any) toward bondholders.

Convertible bond means a type of bond issued by a joint-stock company and convertible into common stocks of the issuing business under the conditions specified in the bond issuance plan.

Secured bond means a type of bond for which the payment of its principal and interest is wholly or partially secured upon its maturity with assets of the issuing business or of a third party; or is guaranteed by a financial or credit institution with the function of providing payment guarantee services.

B. Types of Bonds and Notes

The Viet Nam bond market features a number of debt securities from both government and corporate issuers. Bonds and notes may be publicly issued or privately placed (more on this in section E). All listed long-term, fixed-income securities are immobilized at VSD, traded on the exchange, and transferred electronically.

This section reviews the different types of debt securities available in the market.

1. Debt Securities Issued by Public Entities

Currently, there are three categories of long-term government instruments in the market: government bonds, government-guaranteed bonds, and municipal bonds. All government bonds, government-guaranteed bonds, and municipal bonds are listed on HNX and are only issued in scripless form, i.e., they exist solely as electronic records in the VSD book-entry system.

In contrast, T-bills and SBV bills are categorized as short-term money market instruments (see section C for information).

Government bonds are issued mainly by VST. VDB issued bonds before 2010 that were categorized and still referred to as government bonds. Government-guaranteed bonds are issued by VDB, VBSP, and VEC. These government-related bonds comprise a big share of the domestic debt market in Viet Nam, making up more than 90% of the market, followed by municipal and corporate bonds.

a. Government Bonds

Government bonds are issued by the MOF through VST. Proceeds from government bond issuance are used to finance public service projects such as energy, infrastructure, and education projects, including the implementation of social welfare policies. The latest provisions for the issuance and trading of government bonds were published through Decree No. 95/2018/ND-CP, effective from 1 July 2018.

Government bonds have tenors of 2, 3, 5, 7, 10, 15, 20, 30, or 50 years, and are auctioned via HNX with a minimum par value of VND100,000. All government bonds are legally listed right after being issued and are in dematerialized form.

Government bonds may also be denominated in foreign currencies when issued in the Viet Nam bond market; however, pursuant to Article 14 of Decree No. 95/2018/ND-CP, the currency used at issuance and for repayment must be a freely convertible currency.

Government bonds are settled at VSD on T+1.

b. Green Bonds

Decree No. 95/2018/ND-CP also introduced green bonds as a separate issuance type of government bonds in the Viet Nam bond market. Green bonds may be issued by the government or government agencies on the basis of environmental projects, and are subject to the approval of the prime minister.

c. Government-Guaranteed Bonds

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

Bonds issued by the VDB before 2010 were also called government bonds; however, since January 2010, these have been classified as government-guaranteed bonds. Government-guaranteed bonds issued by the VDB, VBSP, and VEC are required to be issued via the auction method on HNX (see section E for details).

d. Municipal Bonds

Municipal bonds are used for financing specific projects and typically have a tenor of 2 years or more.

Issuers in municipal bonds include Ho Chi Minh City, Ha Noi, and Dong Nai province. Issuance is subject to strict monitoring and approval by the central government. Ceiling rates are defined by the MOF at about 20–30 basis points over government bonds. Theoretically, these bonds can be held either as registered or bearer instruments denominated in Vietnamese dong, but most of them are issued in scripless form and settled in VSD.

e. Government Debt Securities in Foreign Currencies

In 2009, the Government of Viet Nam issued USD-denominated government bonds, with a total nominal value of USD300 million, which were listed on HNX. These bonds were then traded on the stock trading system since, at that time, the specialized government bond market of HNX had not yet been launched.

In 2015, the government issued USD1 billion of government bonds, but these bonds were not listed on the exchange.

Foreign-currency-denominated government bonds may be listed on HNX, and can be traded on HNX and settled at VSD in the denomination currency. At present, no foreign-currency-denominated government bonds are listed on HNX. The most recent foreign-currency-denominated bonds were redeemed in March 2012. However, if any such foreign-currency-denominated government bonds are issued and listed on HNX in the future, the appropriate trading and settlement rules are in place.

2. Corporate Bonds

Corporate bonds are issued by companies (joint-stock companies and limited liability companies) and SOEs. For the issuance methods of corporate bonds, please refer to section E.

Corporate bonds can be held in bearer or registered form, and were originally categorized as unlisted bonds. Unlisted corporate bonds were registered and held in the form of securities booklets, and were generally put in bank vaults for safekeeping. In this case, banks also played the role of registrar. By fulfilling certain conditions, corporate bonds can be listed and traded on HNX and HOSE, depending on which exchange corporate bond issuers may choose to have their bonds listed.

However, most of the corporate bonds are today issued in book-entry form, registered and settled at VSD, and transferred electronically. All listed corporate bonds have to be deposited at VSD to be eligible for trading on the exchanges. They are electronically transferred and settled on T+1. Corporate bonds have a term of 1 year or more.

The minimum par value of bonds must be VND100,000. Other par values must be multiples of VND100,000. Most small and medium-sized corporations' bonds listed on HNX have a face value of VND100,000, whereas unlisted corporate bonds, especially those of several large SOEs, can have a face value of VND1 billion. Common to both types of bonds is a tenor of 5 years or more.

a. Denomination of Corporate Bonds

The currency of a corporate bond issue on the domestic market is Vietnamese dong. The currency of a bond issue on the international market is a freely convertible foreign currency. Pursuant to Decree No. 90/2011/ND-CP, the currency used to pay bond principal and interest must be the same as the currency used upon issuance.

b. Types of Corporate Bonds

Corporate bonds are typically issued as either convertible bonds or nonconvertible bonds. They may be secured or unsecured, with or without warrants. Convertible bonds are issued by joint-stock companies. Nonconvertible bonds may be issued by either a joint-stock company or a limited liability company.

c. Transfer Restrictions for Corporate Bonds

Convertible bonds were first issued in 2006 and denominated in Vietnamese dong. According to Decree No. 90/2011/ND-CP, convertible bonds and detachable warrants are subject to a lock-up period of at least 1 year from the date of completion of the issue tranche, except for a transfer to a professional securities investor or a transfer between professional investors.

C. Money Market Instruments

This section reviews the commonly available money market instruments in the Viet Nam market apart from time deposits and certificates of deposits; key among them are T-bills and SBV bills.

1. Treasury Bills

T-bills are issued by the VST at tenors of less than 1 year (normally 13 weeks, 26 weeks, and 52 weeks). These are discounted securities with a face value of VND100,000. This instrument is issued to temporarily finance the state's budget deficit. These bills are issued in book-entry form and are classified as open-market instruments. The issuance and safekeeping of T-bills is facilitated by SBV under the provisions of Joint Circular No. 92/2016/TTLT-BTC-NHNN, issued by the MOF and SBV on 27 June 2016 and effective from 15 August 2016.

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

The MOF authorized HNX to create and operate an electronic platform for T-bills, with the expectation that this move would help create a secondary market for T-bills. Since August 2012, T-bills have been traded exclusively on HNX's electronic bond platform.

2. State Bank of Vietnam Bills

SBV bills are issued by SBV with the aim to withdraw cash from the financial market as needed, and to actively control liquidity. Banks are able to trade SBV bills with the central bank and with each other. However, the issuance amount of SBV bills has been relatively small in recent years (Figure 3.1).

3. Repos of Government Bonds

Repos were introduced in Viet Nam in 2003. Government bonds (including T-bills and government bonds with maturities of more than 1 year) are accepted as collateral for repos between commercial banks and SBV. Such repos are conducted as part of the open market operation of SBV which are regulated in Circular No. 42/2015-TT-NHNN, issued by SBV on 31 December 2015 and effective since 30 April 2016.

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

As of 31 December 2016, the total government bond trading value exceeded VND1,594 trillion, with repo trading accounting for an increased proportion of the total trading value at VND 603.2 trillion, or 38%.

4. Commercial Paper

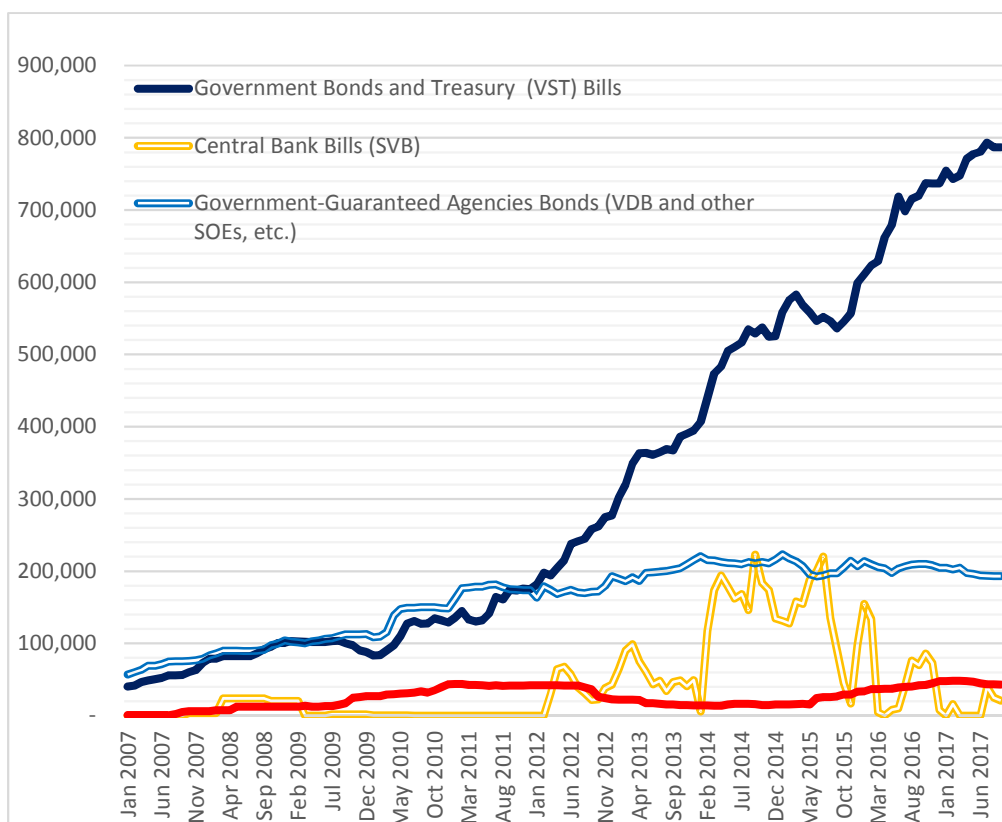
Commercial paper is an unsecured, short-term debt security issued by a corporation. Commercial paper is usually issued at a discount from par in large denominations and with maturities of either less than 270 days or 365 days; most mature within 1–2 months of issue. It is a highly liquid investment and forms part of the money market.

In Viet Nam, a commercial paper market has not really developed so far. Money market participants in Viet Nam may not be familiar with commercial paper. In the future, financial market policy makers and market participants may consider an introduction of this instrument.

D. Segmentation of the Market

Figure 3.1 and Table 3.1 provide an overview of the outstanding value of debt securities in the Viet Nam bond market by type of instrument as detailed in section B, including government securities and corporate bonds.

Figure 3.1: Local Currency Bonds Outstanding by Issuer Type, 2007–2017



SOE = state-owned enterprises, VDB = Vietnam Development Bank, VND = Vietnamese dong, VST = State Treasury of the Ministry of Finance.

Source: AsianBondsOnline.

Table 3.1: Outstanding Value of Debt Securities in Viet Nam

(VND billion)	Outstanding Value (end of September 2017)	% of Total Outstanding
Government bonds and T-bills	786,957	75%
Central bank bills	21,000	2%
Government-guaranteed bonds (VDB and other SOEs)	193,205	19%
Corporate bonds	43,067	4%
Total LCY bonds	1,044,229	100%

LCY = local currency, SOE = state-owned enterprises, VDB = Vietnam Development Bank, VND = Vietnamese dong.

Source: *AsianBondsOnline*.

E. Methods of Issuing Bonds and Notes (Primary Market)

Most bonds in Viet Nam are issued via auction or through underwriting.

1. Government Bonds

Government bonds are principally issued through three methods—auction (also referred to as bidding) underwriting, and private placement—with auction as the dominant method. All government bond auctions are conducted via HNX. Bond underwriting is conducted directly between the issuer and the underwriter.

a. Hanoi Stock Exchange Function in the Government Bond Market

For the primary market, HNX is expected to build and maintain the bond auction system to meet the diversified issuing needs; set up and develop a large auction member base comprising many organizations, from financial institutions and investment funds to normal bond trading entities; create key participants in promoting the auction activities; cooperate with issuing entities to develop new fixed income products; and run the sole and comprehensive bond auction database for all market participants.

b. Private Placement of Government Bonds

The private placement of government bonds is possible under provisions in Decree No. 95/2018/NC-CP. VST is required to compile an issuance plan for private placement, which is to be approved by the MOF. Private placement is then conducted directly with the bond buyers.

c. Issuance to Ensure Market Liquidity

The government will issue bonds to maintain market liquidity such as in the case when a market maker, under its prescribed duties, has provided a firm quotation for a government bond but is unable to deliver the committed amount of bonds.

In such cases, the market maker will have to request VST to issue said amount of bonds.

However, the amount of new government bonds to be issued under such circumstances cannot lead to exceeding the annual issuance limit set by the government. These provisions come into force in 2019.

2. Corporate Bonds

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

Corporate bonds may be issued by the following methods: (i) bond bidding, (ii) underwriting the bond issue, (iii) bond issue agency, and (iv) direct sale to bond investors. The latter is applicable only if the issuer is a credit institution.

Corporate bonds used to be in physical form until they are listed. If corporate bonds are listed on an exchange, they are traded on the exchange using the trading system of the exchange. If privately placed corporate bonds are issued, bonds are issued and traded in the OTC market.

3. Current Definition of Public Offering and Private Placement

The Law on Securities defines a public offer of securities and the private placement of securities as described below.

a. Public Offering

Under Article 6 of the Law on Securities, a public offer of securities means an offer for sale of securities via one of the following methods: (i) via the mass media, including the internet; (ii) an offer for sale of securities to 100 or more investors, excluding institutional securities investors; and (iii) an offer for sale to an undefined number of investors.

b. Private Placement

According to Clause 12a of Article 6 (Interpretation of Terms) of the Law on Securities, a private placement of securities means an arrangement for offering securities to less than 100 investors, not including Institutional Investors, without using the mass media or the internet. Also, Clause 1, Article 1 of Decree No. 90/2011/ND-CP provides for the private placement of bonds, and Clause 4, Article 2 of the same decree describes a private placement as issuance of bonds to less than 100 investors, excluding professional investors.

Policy bodies and regulatory authorities have recognized the differences or inconsistencies in the definitions of private placement between the Law on Securities ("arrangement for offering securities") and Decree No. 90/2011/ND-CP ("issuance of bonds"), and are aiming to address those differences when this decree is replaced with new regulations under the Decision Approving the Roadmap for Bond Market Development issued in August 2017.

In addition, the 2017 Roadmap provides for a check on the requirement for private placement of corporate bonds, requires disclosure of information, and adds the requirement that only professional investors are allowed to invest in

corporate bonds issued by private placement; private placement corporate bonds are required to be centrally registered and listed.

Presently, Decree No. 90/2011/ND-CP also only describes a private placement to less than 100 investors, excluding institutional or professional investors. The decree does, however, not specifically state whether this refers to offers made or actual purchases by investors, and how the actual number of investors is to be governed, in particular if multiple underwriters or selling agents place the bonds. A relevant placement period is also not defined.

Conditions for the issuance of privately placed corporate bonds include:

- i. Nonconvertible bonds
 - the enterprise has been operational for no less than 1 year and must have been profitable during the year prior to issue, as shown in audited financial statements;
 - for an enterprise operating in conditional business lines, it must satisfy the required prudential capital ratios and other restrictions ensuring safety during its operation; and
 - the bond issue plan must be approved by the competent authorities.
- ii. For convertible bonds or bonds with detachable warrants, the enterprise must further satisfy the following conditions:
 - the enterprise must be permitted to issue such bonds;
 - the enterprise must ensure the foreign shareholding restrictions; and
 - there must be at least a 6-month interval between two tranches of convertible bonds.

Purchasers of privately placed corporate bonds are Vietnamese organizations, individuals, and foreign organizations and individuals. Vietnamese organizations are prohibited from using the State Budget to purchase bonds.

4. Shelf Registration Method in Public Offering and Note Issuance Program, or MTN Program in Private Placement of Corporate Bonds

The Viet Nam regulatory framework does not yet feature specific provisions for the concept of a shelf registration. However, the roadmap (see Chapter X) indicates the intention to promote shelf-registration and the use of a note issuance or medium-term note (MTN) program issuance method. While multiple issuances are already possible under the current regulations, a number of limitations exist.

At present, Article 4 of Circular No. 211/2012/TT-BTC stipulates the conditions under which enterprises may issue bonds repeatedly (e.g., in several tranches): the bond-issuing enterprises may do so if they meet set conditions specified in Clause 1 of this article but must do so within 12 months, using the same application and approval process. In cases where such multiple issuances occur across financial years, the bond-issuing enterprises must seek approval for new issuances in each financial year.

In addition, the issuer intending to publicly offer bonds multiple times should fulfill the condition stipulated in Article 14 (The Dossier of Application) of Circular No. 204/2012/TT-BTC. Apart from the prescribed documents, the dossier of application for a public offering of stocks and bonds with multiple issuances must provide the following information in the prospectus:

- i. the project of plan for using capital; and
- ii. the sale plan specifying the anticipated subjects, quantity, and time of each offering (the anticipated offering period must not exceed 90 days).

This limitation may lead to the introduction of a shelf-registration concept and the ability to use a note issuance program or MTN program, under policy objectives stated in the 2017 Roadmap.

F. Governing Law and Jurisdiction (Bond and Note Issuance)

Governing law and the jurisdiction for specific service provisions in relation to a bond or note issuance may have relevance since potential issuers may consider issuing debt securities in multiple markets in the ASEAN+3 region, such as under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) promoted by ADB. These potential issuers may consider issuing debt securities under the laws or jurisdiction of a country or market other than the place of issuance.

The choice of governing law or the contractual preferences of stakeholders can affect the accessibility to a specific investor universe that may otherwise not be accessible if a bond or note were issued under the laws of the place of issuance. However, it is necessary to point out that laws related to bond and note issuance and settlement must be governed by the laws and regulations of the place of issuance.

Vietnamese law principally accepts the contracting parties' right to agree on the governing law or jurisdiction for contractual arrangements. At the same time, the governing laws or jurisdictions available for bonds issued in Viet Nam and distributed to the international market do not seem to be subject to an approval by the Minister of Finance.

Should the parties involved in bond issuance choose to use Vietnamese law, the jurisdiction of the issuance would fall to Vietnamese courts by default. If, in contrast, issuance parties agree on another governing law, the parties would also have to specifically determine the jurisdiction of a court in which provisions of the bond or note issuance (e.g., settlement agency) could be enforced and any disputes would be heard and decided.

If an issuer is an established enterprise in Viet Nam, the issuer's operations are mainly governed by Vietnamese laws and regulations. It may be difficult to enforce any judgments obtained from non-Vietnamese courts against the issuer, its directors or managerial officers, or employees residing in Viet Nam.

Viet Nam does not presently have treaties providing for the reciprocal recognition and enforcement of judgments of courts with countries such as the United States and, therefore, enforcement in Viet Nam of judgments of a court in these countries may be difficult.

In any case, the actual use of governing laws or jurisdictions other than those of Viet Nam may be subject to clarification or legal advice from a qualified law firm, as may be necessary.

G. Language of Documentation and Disclosure Items

Under present regulations, a Vietnamese issuer issuing a bond or note to Vietnamese investors, regardless of whether to institutional (professional) or retail investors, needs

to submit the issuance application, documentation, and disclosure items, for both initial and continuous disclosure, in the Vietnamese language.

1. In Case of Issuance to Professional Investors by Foreign Issuers

The Law on Securities contemplates the ability for foreign (nonresident) issuers to publicly offer their securities to Vietnamese investors and list the securities on HOSE or HNX in order to raise funds for their investment projects in Viet Nam, though in practice such securities have not been issued to date.

It is envisaged that most of the ASEAN+3 markets participating in AMBIF (see also Chapter IX) will be able to accept the use of a common document in English; however, some markets may require the submission of approval-related information in their prescribed format and in the local language. In such cases, concessions from these regulatory authorities for a submission of required information in English, in addition to the local language and formats, may be sought.

Under Viet Nam's law and regulations, it is expected that a language other than Vietnamese would be accepted for the purpose of contractual documents. At this stage, foreign issuers in the private placement market appear to be allowed to submit or file applications and disclosure items in English in combination with the local language.

In the Viet Nam's private placement market, the use of an information memorandum or offering circular in English has already been observed. Having said so, the validity of an English document as the single official submission for notification to the MOF and official correspondence with other regulatory authorities in Viet Nam is still under consideration, but the content of the Single Submission Form for AMBIF bonds and notes (see also Chapter IX) and English as the single disclosure language is being considered for recognition by the MOF in the near future.

The Decision Approving the Roadmap for Bond Market Development, issued in August 2017, indicated as a policy objective that all corporate bonds, whether publicly issued or via private placement, should be listed on an exchange. HNX already permits the publication of disclosure information in English (see also next section).

2. Language for Disclosure to the Securities Exchanges

Clause 4, Article 3 of Circular No. 155/2015/TT-BTC states that the language of disclosed information on the Viet Nam securities market must be Vietnamese. A disclosure of information in Vietnamese and English shall apply to securities exchanges for the instruments and issuers on their markets, as set out in their rules, and as approved by the SSC. Other entities are recommended to disclose information in English as prescribed in the exchange rules and by the SSC. In any case, information disclosed in English is considered as provided for reference only.

At the same time, Circular No. 52/2012/TT-BTC stipulates that the language used for disclosure of information on the securities market in Viet Nam must be Vietnamese. However, if law or regulation stipulate the disclosure of additional information in another language, the languages used for disclosure of information shall be Vietnamese and such other language as may be stipulated.

3. Vietnamese Enterprises with Securities Listed on a Foreign Exchange

Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP) stipulates the simultaneous use of the Vietnamese language for the disclosure and SSC reporting

obligations of Vietnamese enterprises with securities listed on a foreign stock exchange.

Accordingly, enterprises with securities listed on a foreign exchange must disclose information in accordance with foreign law as well as the law of Viet Nam. If there is any difference between such laws on the disclosure of information, then the Vietnamese entity must report such distinctions to the SSC. Information disclosed to investors and securities holders in foreign markets must be simultaneously announced (or disclosed) in Vietnamese in Viet Nam in the mass media and reported to the SSC and to the domestic exchange(s) where such issuing organization have listed securities, and vice versa.

H. Accounting Regime Applicable to Corporations in Viet Nam

The MOF, through the Accounting and Auditing Policy Department, implemented and maintains the Vietnamese Accounting Standards (VAS). These standards are based on International Financial Reporting Standards. Key differences between the International Financial Reporting Standards and VAS include terminology, applied methods, and presentation scope.

To provide guidance for local and foreign enterprises in Viet Nam on these standards, the MOF issued Circular No. 200/2014/TT-BTC and Circular No. 202/2014/TT-BTC, which were intended to enhance the comparability and transparency of corporate financial statements and bring the two systems closer.

I. Registration of Debt Securities

In some jurisdictions, the registration of bonds issued in the domestic market is mandatory with a designated registration place, such as an exchange as a listing and trading place, an SRO, a market association, or a pricing agency. Those listing or registration places largely ensure the availability of reference pricing and general bond information for market participants. Some professional investors, such as mutual and pension funds, require investment assets to be officially registered or listed to satisfy governing prudential regulations.

In Viet Nam, the concept of registration for the purposes of access to information or determination of a fair value has been adopted by the exchanges. There is presently no SRO for the bond market in Viet Nam and the market does not yet have a pricing agency.

Hence, this section deals with the need to register debt securities in the Viet Nam bond market in order to ensure recognition of ownership and the ability to trade and settle the debt securities, and also highlights other concepts of registration referred to in the Viet Nam market.

Publicly offered debt securities are typically listed on the exchanges, with all trades on the exchanges reported to a central reporting mechanism, thereby fulfilling the requirements intended by a dedicated bond registration concept.

At the same time, registration is a term used in a number of contexts in the Viet Nam bond and securities markets, such as debt securities intended to be offered to the public need to be registered with the SSC via a Registration Statement. In addition, debt securities issued in the Viet Nam market need to be registered with VSD to be eligible for settlement, and also registered for listing with an exchange.

The different registration concepts used in Viet Nam with regards to debt securities are explained below.

1. Public Offering Registration with the SSC

Based on Article 13 of the Law on Securities and Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP), a corporate bond issuing organization needs to register a public offer of securities with the SSC. Please see II.F.4 for details.

2. Private Placement Notification to MOF for Registration

Pursuant to Article 30 of Decree No. 90/2011/ND-CP, when planning to issue straight corporate bonds by private placement, the bond-issuing enterprise must send a notification in writing to the MOF for the purpose of registration of the issuance. Please see Chapter II.F.5 for details.

3. Registration of Securities Trading Code

According to Circular No. 123/2015/TT-BTC, foreign investors must register for a Securities Trading Code with VSD. Please see Chapter II.J.4 for details.

4. Registration for Listing and Trading on the Exchanges

Chapter 5 (Articles 53–70) of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2-15/ND-CP) stipulates the registration for a securities listing and trading by issuing organizations on stock exchanges in Viet Nam. Please see Chapter III.J for details.

5. Securities Registration with VSD

The transfer of securities ownership is provided in Article 54 of the Law on Securities, which states that the transfer of securities ownership with respect to categories of securities registered at the securities depository center shall be undertaken via VSD. This means that securities, including debt securities, will need to be registered with VSD upon issuance by the issuer. Please see Chapter III.M for details of the securities registration with VSD.

6. Enterprise Registration

In addition to activities in the bond market, an enterprise, including those that act as participants in the bond or securities markets, needs to obtain an Enterprise Registration Certificate (ERC) upon its establishment. All companies in Viet Nam must make the content of their ERC and other incorporation information available on the national business registration website. The ERC is not covered further in the Viet Nam Bond Market Guide, but information is provided for reference only in the context of registration requirements in Viet Nam.

J. Listing of Debt Securities

A listing of debt securities issued in Viet Nam is possible on HNX and HOSE. All publicly offered corporate bonds are listed on HNX or HOSE. The listing of private placement bonds is not mandatory. However, as clearly stated in the 2017 Roadmap, private placement bonds should be listed on the exchange, securities registered with VSD, and the necessary information disclosed. It is expected that the listing procedure and related regulations for private placement bonds will be announced in 2018.

Government bonds, government-guaranteed bonds, and other debt securities by government agencies are mainly listed on HNX as a matter of course to provide pricing information and trading access for the public at large. At the time of compilation of the Viet Nam Bond Market Guide, HNX had a total of 573 debt securities listed on its markets. If the Government of Viet Nam chose to issue and list foreign-currency-denominated government bonds, the appropriate trading rules are in place and settlement can occur at VSD in the denomination currency.

In addition to government bonds, HNX also accepts corporate bond listings from small and medium-sized corporations, while HOSE specializes in the listing of debt securities by large corporate issuers. Please refer to Tables 3.3 (HNX Listed Bond Issuers) and 3.4 (HOSE Listed Bond Issuers) in Chapter III.N.1.

A profile listing concept, i.e. the listing of securities without trading on the exchange, a typical feature for the private placement of bonds issued to professional investors, has not yet been developed in Viet Nam. It is, however, expected that in line with the start of listing of private placement bonds on HNX and/or HOSE, the concept of profile listing will be introduced to the Viet Nam bond market in the near future.

1. By Listing Status

a. Exchange Listing

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

All publicly offered corporate bonds are listed in Viet Nam. The purposes of bond listing on the exchange are profiling, regulation, price discovery, and information gathering and dissemination. To be qualified for listing on any exchange, corporate issuers have to satisfy the listing requirements set out in the Law on Securities and by-law documents. Under the Law on Securities, listing is done to make securities eligible to be transacted at the exchanges.

Listed bonds in Viet Nam generally mean that (i) they are traded on the exchange, (ii) the securities are scripless (dematerialized and existing as electronic records in a book-entry system only), and (iii) they are registered with and settled at VSD.

Transactions in listed bonds can be negotiated outside the trading platforms of the exchanges. However, for the transfer of bond ownership to take place, these transactions must be captured in the exchange's trading platform.

b. Unlisted Bonds

Privately placed corporate bonds, to date, have been traded OTC and not listed.

c. Corporate Bond Transfer to Hanoi Stock Exchange

Private companies and SOEs may transfer their already issued bonds to HNX for listing and trading upon fulfillment of the following listing criteria:

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

2. Conditions for Bond Listing

Decree No. 58/2012/ND-CP (later amended by Decree No. 60/2015/ND-CP) stipulates the conditions for listing securities; for example, its Article 53 spells out the conditions for listing enterprise bonds on HOSE:

- i. the shareholding company or limited liability company must, at the time of registration for listing, have paid-up charter capital of VND120 billion or more, calculated at the value recorded in the accounting books;
- ii. the business operation in the 2 consecutive years immediately preceding the year of registration for listing must have been profitable; there are no debts payable which are overdue for more than 1 year, and financial obligations to the state have been fully discharged;
- iii. there are at least 100 bondholders in the same [single] issue tranche;
- iv. all the bonds in the one issue tranche have the same maturity date; and
- v. there is a valid application file for registration to list bonds as prescribed by law.

In Article 54 of the decree, the conditions for the listing of enterprise bonds on HNX are detailed in the following manner:

- i. the shareholding company or limited liability company must, as at the time of registration for listing, have paid-up charter capital of VND10 billion or more, calculated at the value recorded in the accounting books;
- ii. the business operation in the year immediately preceding the year of registration for listing must have been profitable;
- iii. all the bonds in one issue tranche must have the same maturity date; and
- iv. there is a valid application file for registration to list bonds as prescribed by law.

The decree also states that government bonds, government-guaranteed bonds, and local authority bonds are permitted to be listed on the stock exchanges in accordance with regulations of the Ministry of Finance.

At the same time, a shareholding credit institution which registers to list securities must have consent from SBV in addition to satisfying the conditions stipulated in the clauses above.

Specific additional conditions for foreign issuing organizations (nonresident issuers) to list securities, including debt securities, on the exchanges in Viet Nam are explained in Article 61 of the decree:

- i. The securities of the foreign issuing organization have already been offered for public sale in Viet Nam in accordance with the Law on Securities.
- ii. The number of securities registered for listing corresponds to the number of securities permitted to be offered for sale in Viet Nam.
- iii. The conditions for listing prescribed in Article 53 or 54 of this decree have been satisfied.

- iv. The listing organization provides an undertaking to fully discharge all its obligations in accordance with the laws of Viet Nam.
- v. One securities company established and operating in Viet Nam participates in consultancy for listing of the securities.
- vi. There is compliance with the laws of Viet Nam on foreign exchange control.

3. Procedure for Bond Listing Registration

This section details the individual steps necessary to list publicly issued debt securities on the exchanges in Viet Nam, as stipulated in the regulatory framework. The process of listing on an exchange is referred to as listing registration in regulations and listing rules.

Step 1—Submission of Application for Listing of Bonds to the Exchange

The issuer will need to apply to the exchange for the listing of its debt securities. The listing application process is regulated by Circular No. 202/2015/TT-BTC, dated 18 December 2015, and the underlying Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP), which are referenced in the circular. In addition, the issuers will need to observe the listing rules of the exchanges, such as the Regulation Listing Securities at Hanoi Stock Exchange.

The issuer will need to complete the listing application form prescribed in Appendix 01 of Circular No. 202/2015/TT-BTC and provide the information and documentation referenced in Article 9 (Procedure and Application for Listing on a Stock Exchange). Clause 7 of the article references bond listing requirements as stipulated in detail in Article 57 of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP). For ease of reference, the requirements are listed below.

The application for listing of bonds is to consist of

- i. the completed listing application form (Circular No. 202); and
- ii. the supporting documents for a listing application of bonds (Decree No. 58/2012/ND-CP and Decree No. 60/2015/ND-CP);
 - a) the decision on listing the bonds passed by the board of management or in a case of convertible bonds by the general meeting of shareholders (in the case of a shareholding company), decision on listing the bonds passed by the members' council (in the case of a multiple member limited liability company) or by the company owner (in the case of a single member limited liability company);
 - b) the register of bondholders of the institution registering the listing;
 - c) the prospectus in the standard form issued by the MOF;
 - d) an undertaking from the institution registering the listing to discharge obligations to investors including conditions of payment, return on equity, conditions for conversion (in the case of listing convertible bonds) and other conditions;
 - e) an undertaking to guarantee payment or minutes of valuation of collateral assets together with valid proof of lawful ownership of the assets and the insurance contract (if any) in the case of listing guaranteed bonds; collateral assets must be registered with the competent authority;
 - f) the contract between the issuing organization and the representative of bondholders;

- g) a certificate from VSD confirming registration by the institution [and] deposit of the debt securities; and
- h) the written consent from SBV in the case of a shareholding credit institution.

Article 62 of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP) states that any foreign issuing organization wishing to list debt securities on a stock exchange in Viet Nam must provide the abovementioned documentation as well as the following data:

- i. an undertaking of the foreign institution to implement a project in Viet Nam;
- ii. an undertaking not to remit the proceeds offshore and not to withdraw the portion of its own capital in equity during the period for which the project is licensed;
- iii. an undertaking from the listing organization to fully discharge all obligations in accordance with the laws of Viet Nam; and
- iv. the contract on consultancy for listing.

The SSC shall, within 30 days from the date of receipt of a complete and valid application file, approve or refuse to approve the foreign issuing organization conducting procedures to register to list on an exchange in Viet Nam; and in a case of refusal, the SSC shall specify its reasons in writing.

Step 2—Review of Application and Approval by the Exchange

According to Article 58 of Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP), the stock exchange shall approve or refuse to approve an application for registration for listing within 30 days from the date of receipt of a complete and valid application file, and in a case of refusal shall specify its reasons in writing.

The article also states that the exchange shall provide detailed guidelines on the procedures for the actual registration for listing in its securities listing rules.

Step 3—Actual (Effective) Listing

Following the example of the HNX listing regulations, the issuer has to complete a number of actions upon receiving the decision approving the listing from HNX.

Within 5 working days from the date of approval, the listing organization shall disclose information on the listing in one issue of a newspaper of a central or local agency where the listing registration organization is located, or in the web portal of the exchange, and in information disclosure media of the listing registration organization. The issuer will also need to pay the listing fee and listing management fee for the first year.

In addition, the issuer shall register for the first trading day and calculate a reference price for the first trading day no later than 5 working days before the expected first trading day. The trading day may also be set by the exchange.

4. Listing of Debt Issuance Programs or MTN Programs

Due to the lack of a recognized issuance program, there is presently no listing concept for issuance programs in Viet Nam. It is expected that the exchanges will introduce the program listing of bonds in the near future.

K. Methods of Trading Bonds and Notes (Secondary Market)

In Viet Nam, secondary market trading of debt securities occurs in the OTC market or on exchange, which may depend on whether the debt securities are listed or unlisted, or on the type of investors.

The trading of listed debt securities in Viet Nam follows the practices of a put-through market, in which the actual trade is concluded between counterparties in the OTC market and then captured in the trading platform of the exchange on which the debt securities are listed. Unlisted debt securities are traded only in the OTC market.

For a more detailed description of the trading environment for debt securities in Viet Nam, please see Chapter IV.

1. Over-the-Counter Market

All debt securities are tradeable in the OTC market, while only certain types of debt securities are listed on the exchanges and may be traded either OTC or on exchange, depending on investor type and preference. Those debt securities that are not listed on the exchanges may only be traded in the OTC market.

2. Trading on the Exchanges

Government bonds and T-bills are exclusively listed on HNX, while corporate bonds issued by major corporations tend to be listed on HOSE. Trading of listed government and corporate bonds on the exchanges is carried out by trading members of the exchanges, typically for retail investors or those investor types that require execution of trades on exchange under their mandates or prudential regulations.

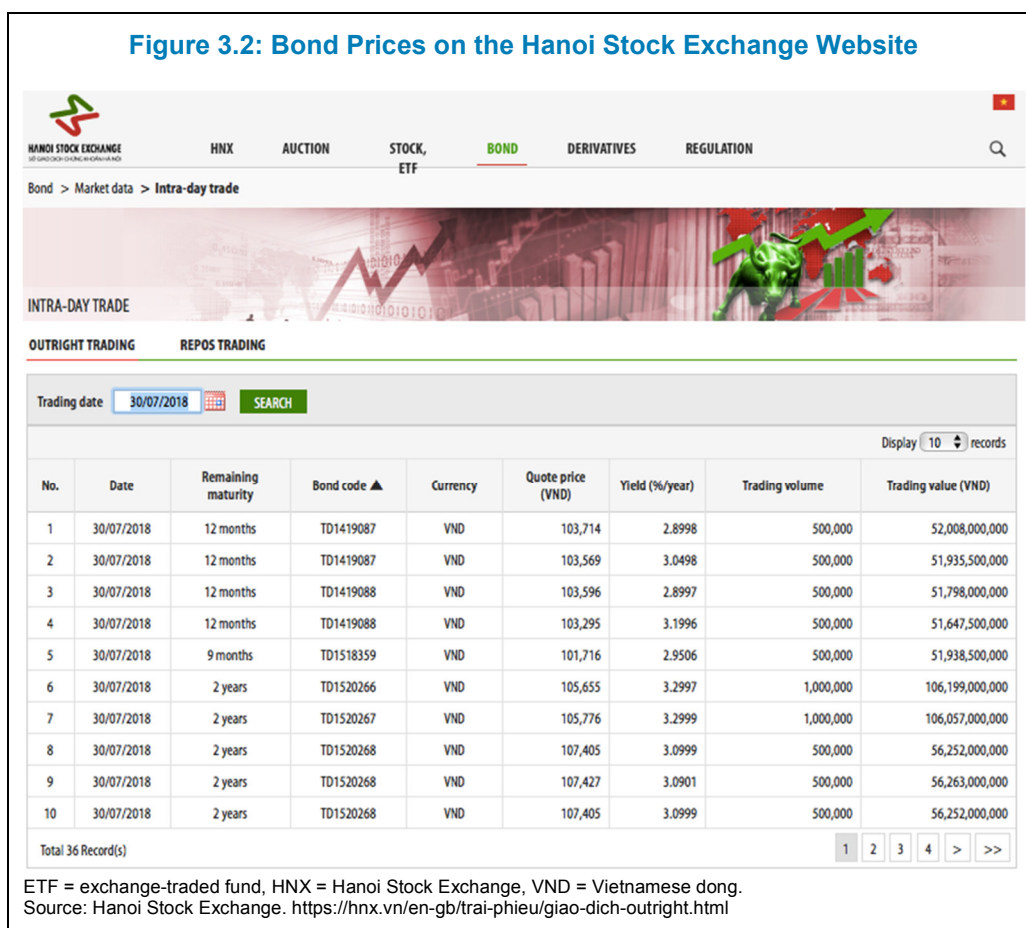
L. Bond and Note Pricing

At present, Viet Nam does not have a dedicated bond or securities pricing agency. HNX and HOSE provide quotes and traded prices through their member and participant access points, and on their website as part of their publication of market data to the public at large; the example for HNX is shown in the next section. VBMA provides bond pricing information to members only.

1. Bond Prices and Data from Hanoi Stock Exchange

HNX provides market data to its trading members and participants, as well as through its website (Figure 3.2). The exchanges in Viet Nam are mandated to provide pricing data to the public at large as part of the drive toward greater transparency in the bond market, as supported by the policy bodies and regulatory authorities.

Figure 3.2: Bond Prices on the Hanoi Stock Exchange Website



In September 2014, the trading system of HNX was connected to the Bloomberg international financial information channel, allowing the automatic transfer and the entering of commands from Bloomberg to HNX, helping investors to easily find information, including bond prices, submit orders, and also trade bonds listed on HNX. Besides Bloomberg, Reuters also publishes the indicators for Viet Nam's government bond market, using the designations "VN Bond Yield Curve" and "VN Bond Index" for international investors.

M. Transfers of Interest in Bonds and Notes

The rights of bondholders to ownership, repayment, and transfer of their bonds are stipulated in Decree 01/2011/ND-CP as follows:

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

In addition, the transfer of securities ownership is provided for in Article 54 of the Law on Securities, which states that

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

Listed bonds are deposited with VSD. For unlisted bonds, on the other hand, this may depend upon the charter and terms and conditions of the bonds. Normally, the issuer issues the new bond certificates and enters the bonds into the bond register.

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

The VSD shall only execute transfers of ownership of securities outside its securities trading system if such transfers are noncommercial or fail to be executed via trading systems at stock exchanges. Such transfers shall include the following cases:

- i. securities made as a present or via inheritance according to the Civil Law;
- ii. odd-lot transactions according to the law of securities and securities market;
- iii. issuers, or labor unions of an issuer, buyback preferred shares of their employees, which terminate their labor contracts, to become Treasury shares and bonus shares for their current employees;
- iv. issuers use Treasury shares as a bonus, or the labor union of the issuer distributes bonus shares to their employees;
- v. foundation shareholder transactions in restricted time;
- vi. issuers change their strategic shareholders in restricted time;
- vii. in case securities have registered in VSD and have been accepted in principle by the exchanges but have not listed on the exchanges yet;
- viii. investors leave the securities in trust to a fund manager in case the fund manager accepts to manage the trusted investment portfolio by assets;
- ix. a fund management company transfers customer portfolio to the customer or to another fund management company if the trust agreement is terminated;
- x. cases of transfer of ownership transfer of securities under court decisions; and
- xi. split, merge, consolidation or capital contribution via share according the Civil, Corporate, and Securities Laws.

Any cases of ownership transfer of securities that are the result of nontrading must be approved by the SSC.

N. Market Participants

1. Issuers

Viet Nam's bond market participants include issuers from the government, government-linked sectors, and corporate sectors. Government bonds are issued by VST and authorized issuers, such as VDB as a policy bank; government-guaranteed bonds are issued by VDB and VBSP, among other institutions. Municipal bonds are issued by city municipalities and provincial governments. Corporate bonds may be issued by SOEs and private enterprises.

The government sector forms a very large proportion of bond issuers in Viet Nam, particularly the central government and government-owned SOEs. The central government is the largest issuer of debt securities and the VDB, which issues government-guaranteed bonds, is the second-largest issuer, followed by the VBSP.

Table 3.2: Main Issuers Listed on Hanoi Stock Exchange (end of November 2017)

Code	Name of Issuer of HNX-Listed Bonds	Issuer Type
BRVT	Ba Ria Vung Tau People's Committee	Municipal
DNGTP	Da Nang People's Committee	Municipal
HIFU	Hochiminh City Finance and Investment State-owned Company (15 issue records)	Municipal
HPGTP	Hai Phong People's Committee (1 issue record)	Municipal
KBHN	Hanoi State Treasury (4 issue records)	Government
KBNN and VNTD	Vietnam State Treasury	Government
NHPT and VNBVDB	Vietnam Development Bank (303 issue records as government-guaranteed bonds; 114 issue record as government-underwritten bonds)	Government Agency (guaranteed) and Government
QNGTP	Quang Ninh provincial People's Committee	Municipal
VBS and VNBVBS	Vietnam Bank for Social Policies (138 issue records as government-guaranteed bonds)	Government Agency (guaranteed)
VEC	Vietnam Bank for Social Policies (138 issue records as government-guaranteed bonds)	Corporate

HNX = Hanoi Stock Exchange.

Source: Hanoi Stock Exchange, partly amended by ABMF SF1.

SOEs comprise a large number of bond issuers in Viet Nam and in international markets. For example, PetroVietnam, which is wholly owned by the Government of Viet Nam, was the first SOE to issue bonds on the New York Stock Exchange in the early 2000s and others followed suit as the equitization of SOEs progressed. As of

November 2017, VietinBank and Vingroup (formerly Vincom) also had USD-denominated bonds outstanding.

At the same time, corporate bonds are issued by SOEs and private enterprises, but the number of corporates with listed debt securities is quite limited, as shown in Tables 3.2 and 3.3. Since private placements are not officially tracked, it is not possible to confirm the names of corporates that are issuing private placement corporate bonds in Viet Nam. Overall, corporate issuers and issues represent a small proportion of the bond market.

Table 3.3: Corporate and Municipal Bond Issuers Listed on Hochiminh Stock Exchange (end of November 2017)

Code	Name of Issuer of HOSE-Listed Bonds	Issuer Type
HCMA and HCM	Ho Chi Minh City Finance and Investment State Owned Company	Municipal
ANC	Agro Nutrition International Joint Stock Company	Corporate
BID	Joint Stock Commercial Bank for Investment and Development of Vietnam	Corporate
CII	Ho Chi Minh City Infrastructure Investment Joint Stock Company	Corporate
KBC	Kinhbac City Development Holding Corporation	Corporate
NVL	No Va Land Investment Group Corporation	Corporate
VIC	VINGROUP Joint Stock Company	Corporate
(past)	Kinhbac City Development Holding Corporation	Corporate
(past)	Thanh Cong Education Joint Stock Company	Corporate
(past)	Masan Group Corporation	Corporate

HOSE = Hochiminh Stock Exchange.

Source: Hochiminh Stock Exchange.

2. Investors

Major bond investors in Viet Nam include commercial banks and domestic life insurance companies. Generally, in both the government bond primary and secondary markets, commercial banks remain the major investors. However, the composition of the investor base has begun to shift: in the years up to 2015, the proportion of commercial banks participating in the government bond market accounted for 80%; this share fell to 60% in 2016. The share of insurance funds and hedge funds increased to 40% in 2016. At the same time, commercial banks held about 74% of the outstanding bonds, and insurance funds held about 20% of the outstanding bonds.

Yet, the domestic Institutional Investor base is still small and the ability to absorb the supply of bonds remains limited. Other Institutional Investors include Viet Nam's Social Security Fund, finance companies, securities firms, and investment funds.

In March 2004, the Vietnam Fund Management Company (VFM) introduced the Vietnam Securities Investment Fund (VF1), which was the country's first securities investment fund. VFM is a joint venture between Sacombank and Dragon Capital. About one third of VF1's capital was invested in long-term government bonds. By now, VF1 is also able to invest in corporate bonds. Other investment funds are managed by Vinacapital and Dragon Capital.

a. Banks

Commercial banks, together with domestic life insurance companies, are the major bond investors in Viet Nam. Major state-owned banks include Vietcombank, Vietnam Bank for Rural and Agriculture Development, Industrial and Commercial Bank of Vietnam, and BIDV.

By sector, the banking sector accounts for more than 90% of the total investment in debt securities. Compared to the large banking sector, the participation of non-bank and other financial sectors is very small.

b. Insurance Companies

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

c. Provident or Social Security Funds

Vietnam Social Security is a public entity that manages the Social Insurance Fund, the fund that administers social security contributions and disbursements in Viet Nam, as well as the Health Insurance Fund. The Social Insurance Fund is considered a large Institutional Investor.

d. Foreign Investors

In line with the Government of Viet Nam's policy, government bond trading activities by foreign investors have been increasing in recent years. However, while there are no limitations on foreign holdings of bonds, the number of foreign or nonresident investors is still limited.

3. Parties Involved in Debt Securities Issuance, Trading, and Settlement

A number of authorized securities companies and a few market associations also participate in the Viet Nam bond market. However, a domestic rating agency currently does not exist.

A number of licensed securities companies are authorized to offer a full range of securities services including underwriting, issuing agent services, brokerage, advisory, portfolio management, and trading. Domestic banks offer services as cash settlement agents or custodians. Foreign banks are also licensed as custodian banks for foreign individual and foreign institutional investors on the exchanges.

a. Market Makers

Market makers are accredited by the MOF in relation to the issuance and trading of government debt securities. Market makers may be banks or securities firms and have to meet specific eligibility and requalification criteria. The MOF will evaluate and rank market makers on an annual basis.

The market maker concept was introduced to the bond market in Viet Nam with the promulgation of Decree No. 95/2018/ND-CP on 1 July 2018. Article 27 of the decree stipulates the duties and privileges of market makers. However, the provisions for market makers will only come into effect in 2019.

b. Securities Firms

At the time of the compilation of the Viet Nam Bond Market Guide, 30 securities companies were members in the secondary market for debt securities on exchange and participants in VSD.

c. Bidders for Government Bonds

According to MOF Decision No. 2651/QD-BTC, dated 25 December 2017, the system of bidders for government bonds in the primary market included 23 members: 5 securities companies, 16 commercial banks, and 2 insurance companies.

d. Underwriter(s) or Issuing Agent(s)

An issuing company can select an underwriter or issuing agent(s), and choose from a securities company, a bank, or any other financial institution that is licensed to provide investment banking services.

e. Banks

Presently, 16 commercial banks are participating as bidders in the government primary market. Banks may also act as custodians for investors or trade in the bond market for their own account. At the time of compilation of the Viet Nam Bond Market Guide, 28 commercial banks were members of VSD.

f. Representative of Bondholders

The legal and regulatory framework in Viet Nam has a limited number of provisions for the function of a representative of bondholders. A representative of bondholders is required for publicly offered debt securities or guaranteed bonds. A representative of bondholders must be a member of VSD. Please see section R for a complete description of the representative of bondholders' function.

g. Depository Members

Depository members are commercial banks and securities companies who hold accounts with VSD and act as custodian for investors, or as agents for their own business and holdings.

At the end of 2017, the total number of VSD's depository members was 120, an increase of 25 over the previous year, including 82 securities companies, 12

custodian banks, and 26 direct account holders. Among the 12 custodian banks were 5 domestic custodian banks and 7 foreign custodian banks (3 branches of foreign custodian banks and 4 wholly foreign-owned custodian banks).

O. Definition of Professional Investors in Viet Nam

In Viet Nam, no designated professional investor concept exists at the moment. Instead, an Institutional Investor concept exists in current regulations, which may be considered as equivalent to a typical professional investor concept in light of the current stage of the Viet Nam bond market's development and its participant situation.

The current definition of Institutional Investors is contained in Article 6 of the Law on Securities. Clause 11 (Interpretation of Terms) defines “institutional securities investor” as follows:

Institutional securities investor means a commercial bank, financial institution, finance leasing company, insurance business organization, or securities business organization.

According to the Decision Approving the Roadmap for Developing the Bond Market, the Government of Viet Nam issued policy with the use of the term “professional investor” in the following manner:

To check the requirement for private placement of corporate bonds and require disclosure of information, add the requirement that only professional investors are allowed to invest in corporate bonds issued by private placement.

Based on this policy, it is observed that the government intends to create a professional investors market for the private placement segment in the near future. However, this policy has yet to translate into a clear-cut definition of professional investors in the related laws and regulations. Currently, applicable selling and transfer restrictions are also not yet aligned with a professional investor concept, which typically incorporates limitations or exclusions for general investors.

P. Credit Rating Requirements

Current regulations do not require the need for any credit rating on corporate bonds issued in Viet Nam, mainly due to the lack of a domestic credit rating agency (CRA).

At the same time, the 2017 Roadmap specifies the goal of having debt securities issued in Viet Nam rated by two CRAs. In order to achieve this objective, specific credit rating criteria and processes are expected to be implemented in Viet Nam in the near future.

Q. Financial Guarantee Institution

Viet Nam does not have a dedicated financial or credit guarantee institution. As a member of ASEAN, Viet Nam issuers may be able to utilize the services of the Credit Guarantee and Investment Facility (CGIF), an ABMI initiative supported by ADB.

CGIF is a trust fund of ADB that was established by ASEAN+3 (ASEAN and the People's Republic of China, Japan, and the Republic of Korea) and ADB in 2010 to

develop and strengthen ASEAN+3 local currency bond markets. It is operationally independent from ADB.

CGIF offers credit enhancement backed by its high credit ratings (both in global and local rating scales) to LCY bonds issued in ASEAN+3 bond markets through its irrevocable and unconditional guarantee for nonpayment of bond principal and coupon. Guarantees are available for up to 100% of the bond principal, and are available to eligible ASEAN+3 companies.

CGIF guarantees and supports project financing, securitization, cross-border transactions, first-time issuers, and tenure extensions, and helps issuers reach regional investors (e.g., in the context of a profile listing or targeting investors who are subject to prudential regulations).

To date, CGIF has guaranteed bonds in Indonesia, the Philippines, Singapore, Thailand, and Viet Nam. CGIF has so far issued three guarantees for the following issuers based in Viet Nam:

- i. Masan Consumers (Food) VND2,100 billion (USD98 million), 8.00%, 10-year, issued in December 2014;
- ii. Vingroup (Real estate) VND3,000 billion (USD134 million), 5-year: 7.75%, 10-year: 8.50%, issued in February 2016; and
- iii. Mobile World (Specialty Retail) VND1,135 billion (USD50 million), 6.55%, 5-year, issued in November 2016.

For the full text of the CGIF announcements for each of these bonds, as well as other information on CGIF, please refer to the CGIF website.¹⁰

R. Market Features for Investor Protection

There are several measures to protect investors in accordance with the Law on Securities and with various related regulations.

1. Strengthening of Information Disclosure of Public Companies

In Viet Nam, the Law on Securities prescribes that companies that have more than 100 shareholders will become "public companies" even if their shares are not listed on the exchange. The Law on Securities imposes on public companies a number of periodical information disclosure requirements. Also, according to Circular No. 52/2012/TT-BTC and Circular No. 155/2015/TT-BTC, the same level of rigid information disclosure requirements is imposed on both listed enterprises and large-scale public companies.

By imposing such levels of disclosure, Viet Nam is strengthening investor protection.

2. Dispute Resolution Measures in the Law

Chapter X of the Law on Securities includes provisions about dispute resolution related matters for investors protection, among other things.

¹⁰ See www.cgif-abmi.org and https://support.cgif-abmi.org/wpcontent/uploads/2016/04/MPMF_TA_CGIF_Closing-Announcement_EN_20160311_F.pdf

The Law on Bankruptcy, 2014 regulates bankruptcy-related issues, including disputes arising from an impending bankruptcy or its procedure, applicable to enterprises and cooperatives in Viet Nam.

3. Introduction of the Simplified Bankruptcy Procedures for Credit Institutions

The Bankruptcy Law, 2004 stated that the government will provide guidelines for implementing the provisions of the law in the case of the bankruptcy of credit institutions. However, during the validity of the law, such guidelines had not been issued.

Instead, the Law on Bankruptcy, 2014 clearly provides that the bankruptcy procedures stipulated in that law shall also be applicable to credit institutions that are insolvent and are not (or no longer) subject to the special control regime of SBV or the MOF.

Decision No. 114/2008/ND-CP was published on 3 November 2008, became effective on 14 November 2008, and gives further guidance on several articles in the Law on Bankruptcy, 2014 and their application to companies operating in the insurance industry, securities services, and financial services. The guidance mainly covers the bankruptcy procedure required for bankrupt companies, including the procedure for bankruptcy document submission, payment recovery plan, asset dissolution, and bankruptcy announcement. The decision mentions the regulatory authorities—the MOF and the SSC—apart from the judge, being the two main bodies involved in the review of the bankruptcy process of financial services companies. These regulatory bodies have the authority to require the enterprises to undertake the necessary steps to recover their payment capacity and financial condition, or to further the bankruptcy procedure as needed.

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

Upon the decision to begin the bankruptcy procedure for a securities company, activities such as brokerage services or opening securities accounts are required to be terminated. Also, activities such as borrowing or transfer of ownership of shares or assets must obtain approval from the judge. Steps for asset dissolution for insurance companies, securities companies, and financial companies are also enumerated in the order, ranging from total auction of the company to an enterprise in the same industry to separate asset selling in case auction fails. For any offense in relation to the execution of this guidance, Article 93 of the Law on Bankruptcy, 2014 will be applied.

4. Settlement Compensation Fund

VSD established the Settlement Compensation Fund in 2015 as a measure to support investor protection in the Viet Nam securities market. The provisions on the Settlement Compensation Fund are defined in the Guideline on Management and Usage of Compensation Fund (No. 27/2015/QD-VSD), issued on 13 March 2015, and which is available on the VSD website.¹¹

¹¹ See <http://vsd.vn:6066/p7c46/quy-che-vsd.htm>

A flat fee of VND120 million has to be paid by a broker or custodian at the time of admission as a depository participant. The fees are then put aside for investor protection purposes. Furthermore, participants have to contribute 0.01% of their annual turnover of the previous year, but not more than VND2.5 billion per annum to this fund.

In addition, a compulsory loan facility can be utilized whenever a depository member is temporarily short of liquidity for settlement, and the amount of shortage is more than VND25 billion or the total depository members' shortage is more than VND30 billion per day; this loan facility agreement (signed with the designated clearing bank) should be in place before utilization. The interest rate is decided by the designated clearing bank on the borrowing date.

5. Other Provisions for Investor Protection

Depository members have to report to VSD within 1 working day if one of the following events occurs: the system encounters incidents or a serious problem occurs which affects clients.

On the exchange trading platform, brokerage firms have to execute investors' orders before their own orders.

6. Establishing Corporate Governance Standards for investors

The Government of Viet Nam is working with the International Finance Corporation and the World Bank on establishing corporate governance standards for investor interests.

S. Representative of Bondholders

A representative of bondholders or a bond trustee, representing the interests of and acting for the benefit of the bondholders, is intended to make it easier for a number of bondholders to take collective action against the bond issuer in the event of default or bankruptcy by the bond issuer, or other disputes between investors and issuer, and monitors the condition of the issuer and the issued debt securities through their lifecycle.

The representative of bondholders is required to report to bondholders such status at least every 6 months.

1. Status of Representative of Bondholders in Viet Nam

In Viet Nam, a representative of bondholders (Vietnamese: đại diện người sở hữu trái phiếu) is the nearest concept to a bondholders' representative or bond trustee concept applied in other bond markets. However, laws and regulations only feature a limited number of provisions about the representative of bondholders.

In summary, in a public offering of secured bonds, or in the case of listing of bonds on the exchange, there must be a representative of bondholders appointed by the issuer via a contract between the issuer and the representative of bondholders in order to represent the bondholders to monitor the issuer's compliance and to represent the rights of the bondholders in case of disputes.

2. Mention of Representative of Bondholders in Regulatory Framework

The current provisions with regard to the definition and purpose of the representative of bondholders are contained in Decree No. 58/2012/ND-CP (amended by Decree No. 60/2015/ND-CP). The decree requires a public offering of bonds to have a representative of bondholders when the bonds are secured bonds or in case of a listing of bonds on the exchange; the representative of bondholders must be a member of VSD.

Clause 10 of Article 2 defines the representative of bondholders as follows:

Representative of bondholders means a member of the [VSD] appointed by the issuing organization to represent the interests of bondholders.

Clause 3 of Article 16 sets the eligibility and purpose for the representative of bondholders within the conditions for a [public] offer of secured bonds in the following manner:

The issuing organization must appoint a representative of bondholders to supervise the performance of the undertakings of the issuing organization.

The following entities are not permitted to act as the representative of bondholders:

- i. the guarantor for payment of debts of the issuing organization;
- ii. major shareholders of the issuing organization;
- iii. an organization having a major shareholder which is the issuing organization;
- iv. organizations having a major shareholder which is also a major shareholder of the issuing organization; [and]
- v. an organization having a manager who also is a manager of the issuing organization or which is controlled by an entity that controls the issuing organization.

Finally, Clause 3 (g) of Article 57 stipulates the need to submit the contract between the issuing organization and the representative of bondholders as part of the dossier (application file) for the registration for listing securities on an exchange.

Given the lack of detailed provisions on the rights and obligations of a representative of bondholders, the Government of Viet Nam decided in the 2017 Roadmap to implement the need for an official status of a representative of bondholders in Viet Nam, and to develop intermediary institutions and market services.

T. Bankruptcy and Insolvency Provisions

The Law on Bankruptcy was enacted in Viet Nam in 2004 after a full revision since the corporate bankruptcy law enacted in 1993 had been used less frequently. Thereafter, the number of bankruptcy filings was small. From 15 October 2004 (the Law on Bankruptcy enforcement date) until 30 September 2012, the number of bankruptcy petitions filed was only 336 cases nationwide. On the other hand, in 2012 alone, there were 44,906 enterprises that registered a suspension of activity and 9,355 registrations of dissolution. Therefore, in 2014, the Law on Bankruptcy, 2004 was revised with the goal of making in an easy-to-use law.

Under the Law on Bankruptcy, 2014 (Law No. 51/2014/QH13), a so-called asset management officer (e.g., a lawyer acting as trustee) and an asset management enterprise play important parts in bankruptcy procedures.

The Bankruptcy Law, 2014 introduced a new concept of asset management officer and asset management enterprise for an insolvent or bankrupt entity. The asset management officer and asset management enterprise can be either an individual (the trustee) or an enterprise.

Once appointed by the court, the trustee or enterprise specializing in asset management and liquidation may take charge of the management and liquidation of assets of the insolvent entity during the bankruptcy proceedings.

The trustee may be a lawyer; auditor; or person having a bachelor's degree in law, economics, accounting, finance, or banking, plus 5 years of work experience in any of the above sectors. An enterprise specializing in asset management and liquidation must be established in the form of either a partnership company or a private company, of which the director must be a licensed trustee.

When bankruptcy proceedings are initiated, a trustee is appointed and certain restrictions are imposed on the administrative disposition of property by the obligor, but the right to control and dispose is not immediately lost.

Then, after the obligor prepares the inventory of property and creditor report, among others, the creditors meeting is convened. Based on that meeting, it is decided whether to try rebuilding proceedings or immediately enter the liquidation process.

In the event that approval of the reconstruction procedure is obtained, the debtor prepares a concrete reconstruction plan and reassigns it to the creditor meeting. If the plan is approved, the plan will be fulfilled after approval of a judge, and the bankruptcy proceedings will be over if the plan has been carried out.

On the other hand, if the reconstruction proceeding attempt is not approved, if the reconstruction plan is rejected, or if the obligor does not fulfill the reconstruction plan, the court will issue the bankruptcy declaration and the liquidation proceedings will commence. The liquidation process is carried out by the trustee under the supervision of a provincial-level civil judgment executing agency.¹² The bankruptcy proceedings are over when payment is made after the conversion of property is complete.

Besides this, there is a simplified procedure, if there is not enough bankruptcy foundation to cover the cost of the procedure, the bankruptcy declaration decision will be made at that point and the settlement procedure will be started.

In contrast to previous versions regarding the cause of the commencement of bankruptcy proceedings, where the obligor was considered "in a state of bankruptcy," the Law on Bankruptcy, 2014 stated that the obligor had lost the ability to pay. In its Article 4, the law states that

An insolvent enterprise or insolvent cooperative (hereinafter referred to as insolvent entity) is an enterprise or a cooperative having failed to meet the debt liability for 3 months from the deadline for repayment.

¹² Pursuant to Decision No. 61/2014/QĐ-TTg of the Prime Minister Prescribing the Functions, Duties, Powers and Organizational Structure of the General Department of Civil Judgment Enforcement, dated 30 October 2014.
<http://moj.gov.vn/en/Pages/The-General-Department-of-Civil-Judgment-Enforcement-.aspx>

In other words, under the Law on Bankruptcy, 2014, an enterprise is considered as being insolvent if it fails to pay a due debt after 3 months from its due date. This means that a creditor's request is no longer required to trigger the insolvent status of an insolvent enterprise.

A judge will make the decision on the initiation of bankruptcy process when the enterprise or cooperative is insolvent.

U. Event of Default and Cross-Default

The regulations for the issuance of corporate bonds are silent on the definition of and manner in which provisions on an event of default should be specified.

The specific need to define events of default and possible cross-default provisions has not yet arisen. However, the market expects such prescriptions in laws and/or regulations to be introduced in line with the development of the bond and securities market.

Bond and Note Transactions and Trading Market Infrastructure

A. Trading of Bonds and Notes

Debt instruments issued in the Viet Nam bond market may be listed and traded on the exchanges and/or traded in the OTC market. Government bonds and T-bills are only listed on HNX but may also be traded OTC. Trades concluded directly on exchange are often for retail investors while OTC transactions tend to be for institutional clients or market participants. Particular market practices, the prevailing trading platforms and mechanisms and other trading relevant practices are explained in detail in this chapter.

Effective July 2017, the cash settlement function for trades in debt securities has been assumed by SBV; the function was earlier done by commercial banks.

B. Significance of Trading Practice in Viet Nam

In Viet Nam, the market practice for debt securities trading has evolved over the years. From a time when the trading of debt securities was exclusively conducted via phone, the trading practice has come to incorporate the availability of a central trading platform in the bond market at HNX.

This practice combines the traditional interaction of trading counterparties in the bond market via phone or proprietary systems with the ability to record, monitor, and onward process the concluded trades in an efficient manner. In effect, the trading in debt securities listed on the exchanges functions like a put-through market.

Significantly, trades are still concluded directly between counterparties and subsequently entered into the HNX bond trading platform to facilitate matching, clearing, and settlement. Please see the next section for more details.

C. Trading Platforms

Debt securities issued in Viet Nam may be traded either OTC or on the established exchange platforms. In daily practice among trading counterparties, however, the use of the two described platforms is combined to achieve better dissemination of price and execution details.

1. Over-the-Counter Market

The OTC market is the key trading venue for the Viet Nam bond market; the majority of the trading of debt securities occurs in the OTC market, including virtually all trades between institutional market participants. Counterparties execute trades via phone, voice broking, commonly used global platforms, or other mutually acceptable mechanisms with one another, before capturing those trades in the exchange system

for trade reporting, monitoring, and onward processing purposes. There is no single or market-specific trading platform for the OTC market in Viet Nam, even though concluded trades will be captured in the exchange platforms after execution.

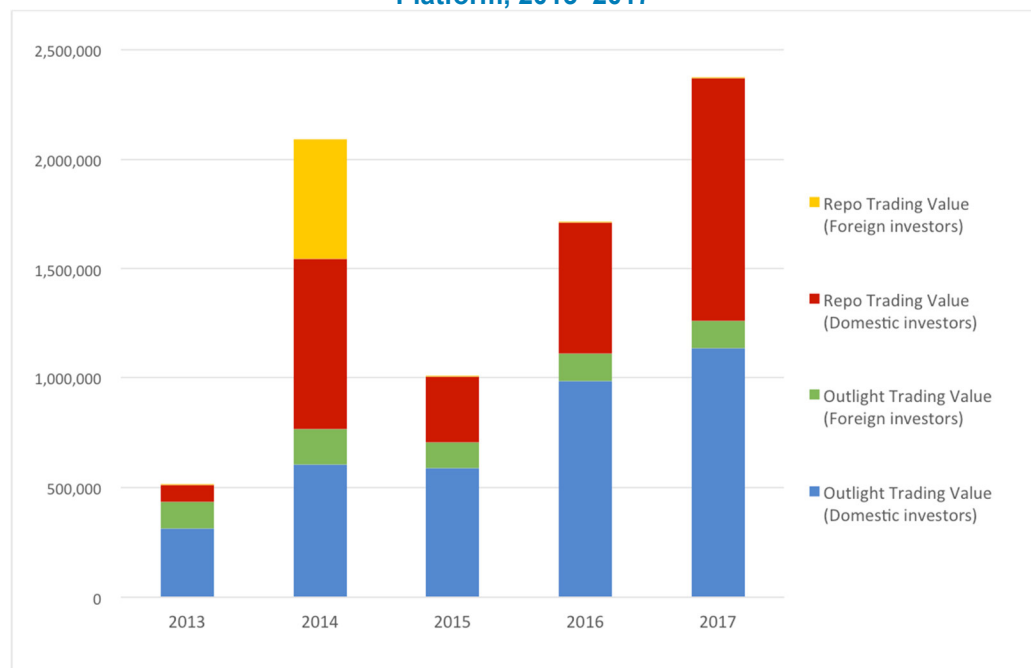
2. Trading on Hanoi Stock Exchange

HNX is the primary exchange for trading in debt securities in Viet Nam. Since 2009, government bonds, government-guaranteed bonds, and municipal bonds are only listed and traded on HNX (Figure 4.1). Foreign investors may participate in the trading on HNX but the proportion of their trading is still small.

In particular in the government bond market in Viet Nam, HNX's role and functions include the following:

- i. ensure open, fair, and successful bond trading in the market;
- ii. disseminate information in accordance with the Securities Law and other relevant documents;
- iii. provide trading information and training to market participants; and
- iv. consult regulators and authorities in setting up and revising legal documents relating to bond issuance and trading in the market.

Figure 4.1: Government-Related Bond Trading on the Hanoi Stock Exchange Platform, 2013–2017



Source: Hanoi Stock Exchange–Trading Scale Statistics, 2013–2017.

Key among the functions of HNX in recent years has been to facilitate a trading and trade capture platform for debt securities and to give trading members and the investing public access to relevant disclosure information via its systems and access points.

HNX built its trading system for both corporate and government bonds in-house. This trading system was enhanced over time to facilitate bond trading, including specialized

bond transaction such as repo (see also section H). For a chronological overview of trading system developments, please see Chapter I.B.

A dedicated trading platform for T-bills was launched in 2012, with the participation of constituents of the open market operation of SBV, as well as government bond market participants.

HNX introduced a comprehensive bond trading platform, E-BTS, to its members and participants in June 2015. Investors may download the E-BTS software from the HNX website and install it on their computers to connect to the HNX system and get updates on government bond trading-related information at any time.

In June 2016, HNX introduced the web-based automatic bidding system, E.ABS, in its effort to improve primary market access and broaden the investor base of the government bond market. E.ABS allowed for members' flexible participation in the bidding process, reduced the length of bidding time, and applied lower brokerage fees.

At the end of 2017, the government bond trading system on HNX comprised 58 members, including 30 securities companies and 28 commercial banks.

Trading occurs from Monday to Friday (Table 4.1), unless the day is considered a holiday under the Labor Law or specifically designated as an off-day by the exchange management.

Table 4.1: Hanoi Stock Exchange—Debt Securities Trading Hours

Trading Session	Time
Morning Session	8:30 a.m.–11 a.m.
Afternoon Session	1 p.m.–2.15 p.m.

Source: Hanoi Stock Exchange. <https://www.hnx.vn/en-gb/huong-dan/chi-tiet-thu-tuc-24-53.html>

3. Interbank Money Market

SBV organizes and governs the interbank bank market as part of its open market operation, pursuant to Circular No. 42/2015-TT-NHNN, issued on 31 December 2015. SBV and its financial institution constituents trade repo and outright transactions as counterparties.

However, the interbank market does not have a dedicated bond trading platform. Instead, participants use the HNX bond trading platform, E-BTS, to capture the trades that have been concluded bilaterally between counterparties.

D. Mandatory Trade Reporting

Trades in debt securities are executed in the OTC market and, for bonds listed on the exchange, subsequently entered into the respective exchange platform to allow trade reporting and monitoring by the exchanges and regulatory authorities.

Circular No. 203/2015/TT-BTC sets the policy on trading and trade reporting to the SSC. In Article 13 (Report and Supervision Policies), the circular states that the exchange and VSD shall submit reports on securities trading to the SSC in accordance with the law. Both the exchange and VSD shall carry out the supervision of securities trading on behalf of the SSC.

In addition, securities companies shall submit periodic or unscheduled reports on margin trading and day trading activities to the SSC and the exchange (if so involved) and VSD (if so involved), as further regulated by the SSC.

As for the often-cited lag time in the Viet Nam bond market between the execution of a trade between counterparties and its capture in the exchange system, Circular No. 10/2017/TT-BTC states that the transaction result is to be captured into the HNX bond trading system on the working day the deal is concluded between counterparties.

E. Market Monitoring and Surveillance in the Secondary Market

HNX and HOSE work in close coordination with the SSC units and related entities to strengthen market surveillance, especially the monitoring of unusual transactions.

To illustrate, HNX and HOSE have developed comprehensive solutions to cope with market changes, such as adding further criteria for routine surveillance detecting of abnormal transactions, automation of surveillance procedures, as well as the introduction of advanced software with high-speed processing capabilities to help provide early alerts to abnormal transactions.

Additionally, the management of the investor monitoring database of the securities companies has also become easier and better through the use of the CIMS by members, in addition to the Market Surveillance System of the SSC. A derivatives market surveillance system has also been developed and is in the process of functional testing.

In addition, VSD has a monitoring function to ensure that holding limitations imposed on investors by law and regulations are observed. Since all listed shares and listed bonds are deposited with, and settled through VSD, all transactions entered into the exchange systems will be transmitted to VSD. This allows VSD to check investor and participant account holdings against market concentration obligations under prevailing regulations. If the ownership level of an investor exceeds a certain percentage (for example, to be classified as a large shareholder), VSD will report such an occurrence to the SSC on a monthly basis.

F. Information on Debt Securities

Information on the nature of debt securities in Viet Nam—their listing, trading, and settlement status—is available from policy bodies, regulatory authorities, and market institutions. In addition, individual market participants offer bond information services, including access to their own trading platforms to their clients via their proprietary systems and websites.

1. Government Securities

Information on government securities or the bond market at large on the MOF website, as well as on the website of the VST, a unit of the MOF, is presently available in Vietnamese only. However, the MOF website allows the search for laws and regulations relevant for the bond market with keywords in English and provides the full text of such laws and regulations in English as search results.

The HNX website does feature information and trading data on government securities in English (see also section 4). Information and data on Viet Nam government

securities in English is also available from the *AsianBondsOnline* website (see also section G).

2. State Securities Commission

On its website, the SSC provides comprehensive information on laws and regulations for the securities market, including bond market related regulations, as well as general information on HNX and HOSE. As part of its education focus, the SSC offers a Q&A function via its website, where interested parties can email questions on the securities market and receive a response via email as well. The SSC website also contains links to news and daily trading results on HNX and HOSE.

3. State Bank of Vietnam

SBV acts as the agent for the VST in organizing bidding and in issuing, depositing, and making related payments for T-bills and Treasury bonds. SBV also carries out its open market operation, i.e. the buying and selling of debt securities from or to its financial institution constituents, as part of its monetary policy tools.

On its website, the SBV announces open market auctions. Information on the actual auctions is available from HNX which serves as the auction platform (see also next section).

4. Hanoi Stock Exchange

In addition to announcements and results of auctions and bond issue underwriting, HNX provides comprehensive information on debt securities listed and traded on its markets. Information on the latest announcement for debt securities or stakeholders can easily be retrieved using the HNX website; see Figure 4.2 for an example of the information selection available.

Investors who download the E-BTS software (see also section C.2) from the HNX website and install it on computers to connect to the HNX system will be able to check and update government bond trading-related information at any time and from any location.

Figure 4.2: Information Disclosure on the Hanoi Stock Exchange Website

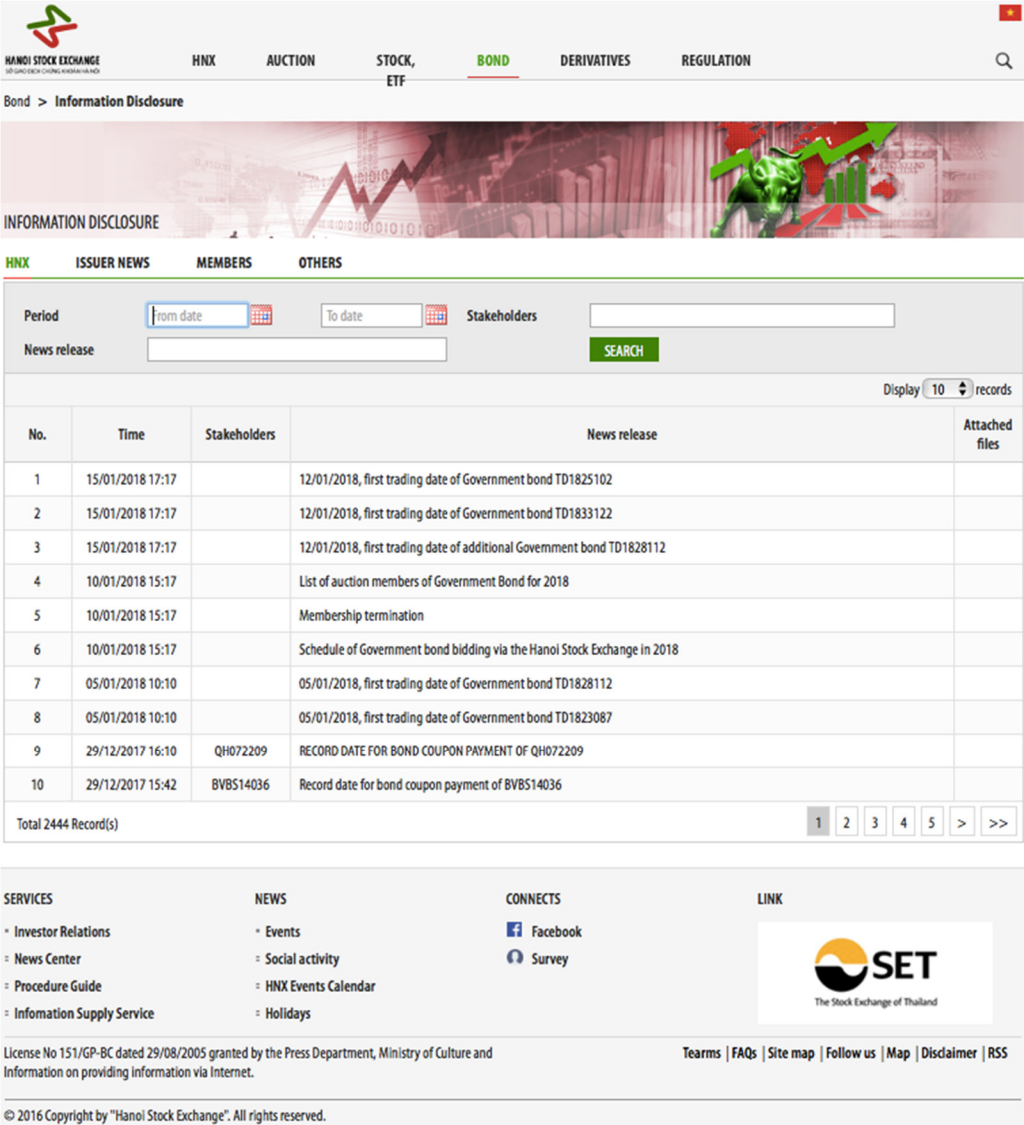


Figure 4.2: Information Disclosure on the Hanoi Stock Exchange Website

The screenshot displays the Hanoi Stock Exchange (HNX) website's Information Disclosure page. The page features a navigation bar with links to HNX, AUCTION, STOCK, ETF, BOND, DERIVATIVES, and REGULATION. The BOND section is currently selected.

The main content area is titled "INFORMATION DISCLOSURE" and includes a search interface with the following fields:

- Period: from date (calendar icon) To date (calendar icon)
- Stakeholders: (text input field)
- News release: (text input field)
- SEARCH button

Below the search interface, there is a table displaying the results of the search. The table has the following columns: No., Time, Stakeholders, News release, and Attached files. The table shows 10 records, with a total of 2444 records displayed.

No.	Time	Stakeholders	News release	Attached files
1	15/01/2018 17:17		12/01/2018, first trading date of Government bond TD1825102	
2	15/01/2018 17:17		12/01/2018, first trading date of Government bond TD1833122	
3	15/01/2018 17:17		12/01/2018, first trading date of additional Government bond TD1828112	
4	10/01/2018 15:17		List of auction members of Government Bond for 2018	
5	10/01/2018 15:17		Membership termination	
6	10/01/2018 15:17		Schedule of Government bond bidding via the Hanoi Stock Exchange in 2018	
7	05/01/2018 10:10		05/01/2018, first trading date of Government bond TD1828112	
8	05/01/2018 10:10		05/01/2018, first trading date of Government bond TD1823087	
9	29/12/2017 16:10	QH072209	RECORD DATE FOR BOND COUPON PAYMENT OF QH072209	
10	29/12/2017 15:42	BVBS14036	Record date for bond coupon payment of BVBS14036	

The footer of the page includes links to SERVICES, NEWS, CONNECTS, and LINK. The LINK section features the logo of SET (The Stock Exchange of Thailand). The footer also contains a license notice and a copyright notice.

Source: Hanoi Stock Exchange. <https://hnx.vn/tin-trai-phieu-hnx.html>

The information covers announcements by HNX, such as on trading dates and interest payments, by issuers of debt securities or by trading members. The disclosure identifies stakeholders of the debt securities shown so that potential readers can obtain a comprehensive view of related information.

In addition, HNX provides easy access to trade-related data through a number of dedicated web pages for market data, including on outright and repo transactions, yields and yield curves, as well as bond indexes (see also next section).

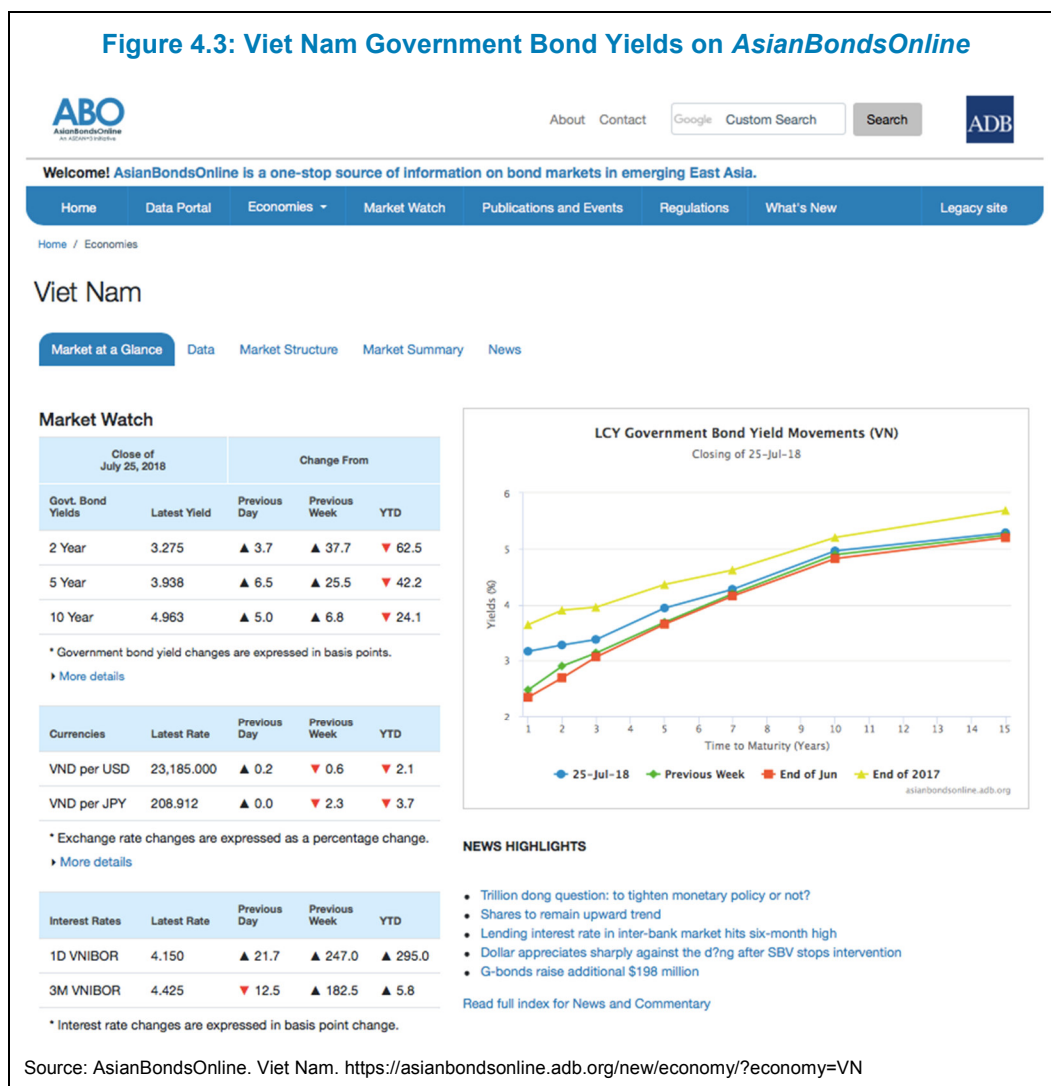
G. Yields, Yield Curves, and Bond Indexes

Information on yields as well as yield curves for government securities and corporate bonds issued in the Viet Nam market is available from HNX and a number of market institutions.

1. Yields and Yield Curves for Government and Corporate Bonds

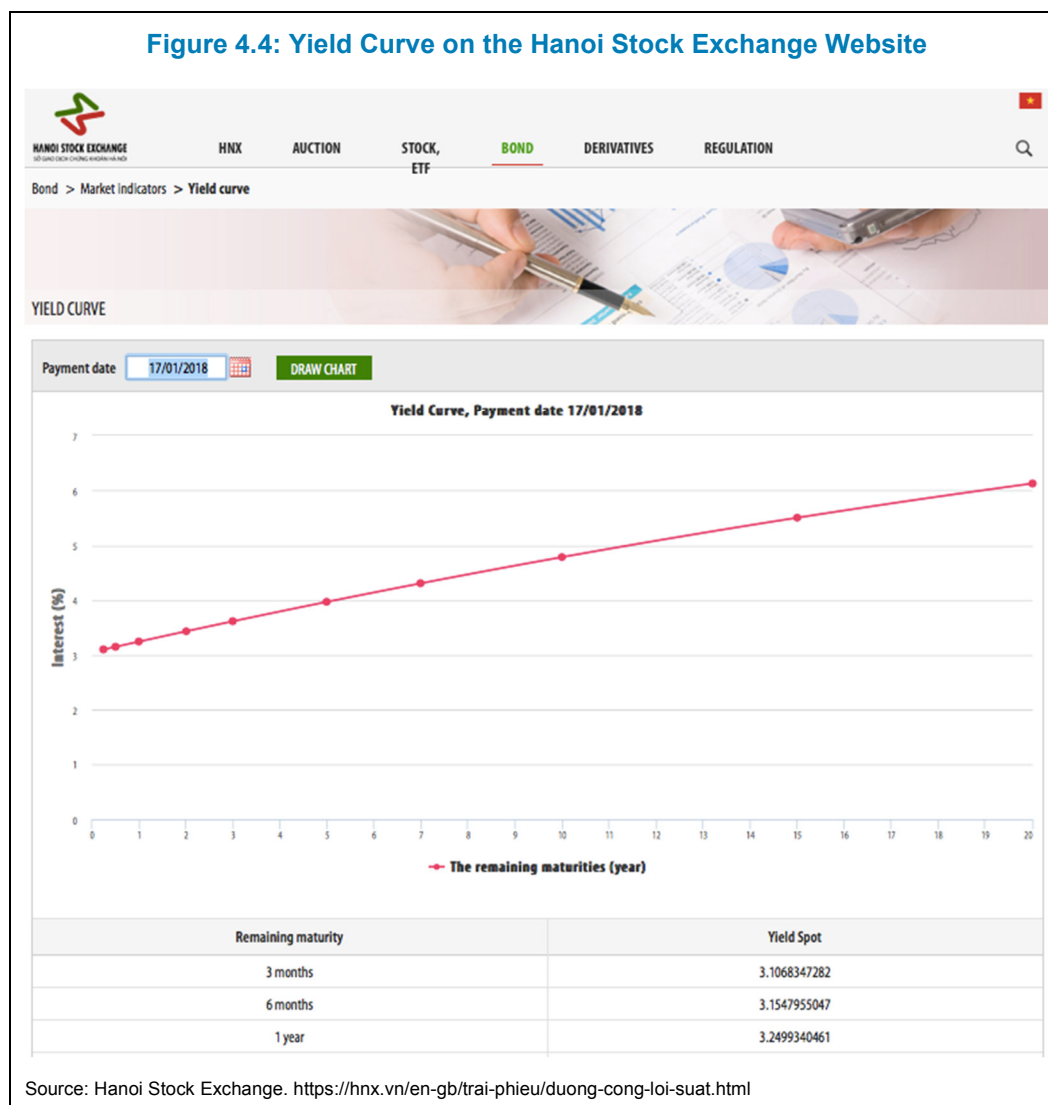
Information on yields and yield curves for Viet Nam government and corporate bonds are available from a number of market institutions, global trading platforms, and commercial data vendors. *AsianBondsOnline*, an initiative under ASEAN+3, also features comprehensive information, particularly on Viet Nam government bonds, on its website (Figure 4.3).

Figure 4.3: Viet Nam Government Bond Yields on *AsianBondsOnline*



At the same time, yield information and yield curves for a number of periods to maturity are also available from the HNX website (Figure 4.4).

Figure 4.4: Yield Curve on the Hanoi Stock Exchange Website



2. Bond Indexes in Viet Nam

In 2015, HNX introduced a set of so-called G-Bond indexes, consisting of a composite index with 2-year, 3-year, and 5-year variations; these indexes for the LCY government bond market were aimed at measuring its development. The indexes help enhance transparency and assist local and international investors in making bond transaction decisions.

These G-Bond indexes, also known collectively as Vietnam Bond Index or the HNX Vietnam Bond Index, are the first and currently the only indexes for the listed bond market in Viet Nam. The HNX Vietnam Bond Index is used as a benchmark to evaluate the market value of all Vietnamese bonds.

The Vietnam Bond Index is based on Treasury bonds, which account for 71% of the total value of listed government bonds and are low-risk instruments, while serving as a base for investors to assess other bonds in the market.

The Vietnam Bond Index includes general indices and those for bonds of different terms. The component bonds for the Vietnam Bond Index are shown on the HNX

website, together with their selection criteria and basic information on the index.¹³ Following the Vietnam Bond Index, HNX will develop indices for government-guaranteed bonds, local government bonds, and bond liquidity.

The Vietnam Bond Index is expected to help improve information transparency in the bond market, support the government in evaluating the influence of macro policies on the market, and assist financial organizations in analyzing, forecasting, studying, and managing bond portfolios.

In addition to HNX and Bloomberg, Reuters also publishes the Indicators for Viet Nam's Government Bond Market, using the official names "VN Bond Yield Curve" and "VN Bond Index" for international investors.

H. Repo Market

1. Repo Market Overview

Repurchase agreements were introduced in Viet Nam in 2003. The Viet Nam Bank for Agriculture and Rural Development was the first state-owned bank to offer repurchase services at the time. Since August 2008, some local securities companies have restarted corporate bond repo services for selected clients and portfolios. In 2009, official repo transactions for government bonds started on HNX.

SBV uses repo transactions, in addition to the outright sale and purchase of eligible debt securities, to conduct open market operations, which are governed by Circular No. 42/2015-TT-NHNN, issued on 31 December 2015 and effective from 30 April 2016. In this context, the MOF also issued Circular No. 206/2009/TT-BTC, dated 27 October 2009, Instructing the Accounting Treatment for Government Bond Repo Transactions Pursuant to Decision No. 46/2008/QD-BTC.

Trading of repos is typically conducted on HNX's bond trading platform, which has a dedicated repo function, mainly via the put-through method (see also earlier sections in the chapter for information on trading methods). Concluding cross-border repo transactions using domestic debt securities is not permitted.

2. Repo Market Size

As of 31 December 2017, the total government bond trading value had reached over VND2,376 trillion, of which outright transactions and repos reached VND1,264.6 trillion and VND1,109.8 trillion, respectively. In 2017, repo trading accounted for an increased proportion of the total trading value (approximately 47%). Only 5 years previously, the repo trading value had accounted for only 15% of the total market trading value (Table 4.2); by 2017, the repo trading value had almost reached the outright trading value, a good indicator of increased market liquidity and the development of the Viet Nam bond market overall.

¹³ See <https://www.hnx.vn/trai-phieu/tong-quan-chi-so-trai-phieu.html>

Table 4.2: Government-Related Bond Trading Value in Viet Nam, 2013–2017
(VND billion)

Item	2013	2014	2015	2016	2017
Outright Trading Value	433,350	764,531	706,026	1,109,204	1,264,621
Repo Trading Value	79,255	1,325,458	302,151	607,202	1,109,828
Total	514,618	2,092,003	1,010,192	1,718,421	2,376,465

Note: Government related bonds include government bonds, government-guaranteed bonds, and municipal government bonds.

Source: Hanoi Stock Exchange–Trading Scale Statistics, 2013–2017. <https://www.hnx.vn/en-gb/trai-phieu/thong-ke-giao-dich.html>

Table 4.3 details the participation of resident and nonresident investors, respectively, in the government-related bond repo trading volume over the period 2013–2017.

Table 4.3: Repo Trading Value by Resident Status in Viet Nam, 2013–2017

Year	Repo Trading Value (VND billion)		
	Domestic investors	Foreign investors	Total
2013	76,246	3,009	79,255
2014	780,543	544,914	1,325,458
2015	297,577	4,574	302,151
2016	603,682	3,520	607,202
2017	1,107,241	2,586	1,109,828

Source: Hanoi Stock Exchange–Trading Scale Statistics (Repo), 2013–2017. <https://www.hnx.vn/en-gb/trai-phieu/thong-ke-giao-dich.html>

3. Acceptance of Standards

Viet Nam's repo market is still fairly new, with only one kind of repo currently being offered. At the same time, the Global Master Repo Agreement and its related practices, are not yet applied. VBMA and market participants are, however, considering the use of the Global Master Repo Agreement in the market. With the fragmentation of the repo market between the exchange market and the interbank market, an acceptance of the same standards by all market standards and participants may also be a challenge.

4. Specific Repo Practices in Viet Nam

a. Type of Repo

In Viet Nam, repo transactions are classified as the classic type of repurchase agreement, or the sale and (re)purchase type transactions. Other types of repo transactions found in regional markets, such as the pledged type or the borrowing and lending type, are not evident in Viet Nam.

b. Size and Tenor

In the case of the repo market on exchange, repo transaction terms range from 2 days to 180 days. Common tenors for T-bill repos on HNX are 1 month and 2 months; the former accounts for 48% of the total trading volume, while the latter represents 30%. For government bonds, the preferred tenors include 2 weeks, 1 month, 2 months, and 3 months, with the respective shares of the total trading volume being 17%, 36%, 10%, and 9%. These numbers are based on repo statistics for 2010–2017.

c. Market Control

SBV organizes and governs the repo market with its constituents as part of its open market operation; however, concluded trades are entered into the HNX bond trading platform for execution and downstream clearing, settlement and monitoring. HNX provides trading rules and the actual trading system for repo transactions and organizes and governs membership and trading practices for the on-exchange repo market.

d. Eligible Debt Securities as Collateral

For repos conducted as part of the open market operation of SBV, government securities, including T-bills and government bonds with maturities of more than 1 year, are accepted as collateral in transactions between commercial banks and SBV. Government bonds with maturities of more than 1 year are commonly used as collateral for repos between securities firms, commercial banks, and financial firms.

Municipal bonds are legally acceptable as collateral for repos; but, in reality, they are rarely used.

e. Accounting and Tax Treatment

The accounting treatment for repo decisions follows the corresponding Circular No. 206/2009/TT-BTC pursuant to Decision No. 46/2008/QĐ-BTC, which was issued by the MOF on 27 October 2009.

The tax treatment of repo transactions does not differ from that of normal buy and sell transactions of debt securities in the Viet Nam market. The difference in securities price between buy and sell price is subject to an individual's or an institution's personal or corporate income tax, respectively. There is no transaction tax and stamp duty is not applicable to repo transactions.

f. Market Participants

Market participants in the open market operation of SBV are the central bank and its financial institution constituents. Securities firms, commercial banks, and financial firms are participants in repo trades conducted through the HNX bond trading platform.

SBV is the main liquidity provider in the interbank market. In addition, investors with surplus cash will provide liquidity to investors in need of funds.

g. Market Access and Participation of Foreign Investors

Direct access is not possible for nonresident investors. Parties interested in repo transactions will need to appoint a securities firm or commercial bank to execute repo trades on their behalf.

The participation of foreign investors in the Viet Nam repo market is still relatively low (Table 4.4).

Table 4.4: Repo Trading Value by Resident Status, 2017

Bond type	Repo Trading Value (domestic investors)	Repo Trading Value (foreign investors)	Total Repo Trading Value (VND billion)
Government Bonds	888,153	2,586	890,739
Government-Guaranteed Bonds	219,088	0	219,088
Municipal Government Bonds	752	0	752
Total	1,107,994	2,586	1,110,580

Source: Hanoi Stock Exchange.

I. Securities Borrowing and Lending

Since August 2014, VSD has been offering securities borrowing and lending services for the purpose of supporting securities transaction settlement in case of temporary securities shortage by VSD's depository members as a result of error correction and by supporting ETF authorized participants to have sufficient securities to make capital contributions and execute the creation or redemption transactions with ETFs. Securities for lending are made available by depository members or their investor clients with long positions; VSD acts as aggregator for those available positions.

In 2017, VSD concluded 104 securities borrowing and lending contracts, including 99 securities borrowing and lending contracts to support settlement, and 5 borrowing and lending contracts to support ETF creation or redemption. All contracts were executed in a timely manner.

In an effort to upgrade the existing securities borrowing and lending system, VSD developed and provided government bond borrowing and lending services for sale to market makers, with effect from 1 September 2017. Government bond borrowing and lending transactions are carried out by negotiation, in which the related parties reach an agreement and take responsibility for details such as loan volume, loan assets and returns, interest rates, and other terms.

A change in regulations recently permitted market participants to offer and conduct commercial bond borrowing and lending business in the Viet Nam market. Pursuant to Circular No. 10/2017/TT-BTC Amending, Supplementing a Number of Articles of Circular No. 234/2012/TT-BTC, commercial bond borrowing and lending may now be conducted through the HNX bond trading system.

J. Government Bond Futures

1. Launch of the Derivatives Market in 2017

On 10 August 2017, HNX announced the inaugural launch of the derivatives market, the first of its kind in Viet Nam. Following the completion of the legal framework for the derivatives market, the MOF directed the SSC, HNX, and VSD to develop market infrastructure and products, and equip market intermediaries and the investor community with the necessary information and to make preparations. Following the publication of Decree No. 42/2015/ND-CP on Derivative Securities and Derivative Securities Market in May 2015 (and effective 1 July 2015), the MOF issued Circular No. 11/2016/TT-BTC in January 2016 (later augmented by Circular 23/2017/TT-BTC in March 2017) to guide market institutions and market participants in the introduction of the derivatives market.

Since the launch, HNX is operating the derivatives trading system, while VSD is responsible for clearing and settlement for derivative instruments; the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) takes on the role as settlement bank for the derivatives market.

The derivatives trading, clearing, and settlement system was developed in collaboration with the Global Markets Exchange Group (United Kingdom) and FPT Vietnam, ensuring synchronized technology and real-time connection. The market consists of seven member brokers—BIDV Securities, HCM City Securities, MB Securities, Saigon Securities, VietCapital Securities, VNDIRECT, and VPBank Securities—who facilitate the trading of derivatives products in Viet Nam.

The derivatives market opens 15 minutes earlier than and closes at the same time as the current stock market.

2. Products

Three futures contracts have been approved to be traded in the derivatives market, on the basis of contracts that would represent the most liquid underlying assets. Among the approved products is the 5-year government bond futures contract. However, as of July 2018, the government bond futures contract was yet to be introduced to the market.

3. Delivery Months of Futures Contracts

The delivery months of the futures contracts would be the spot month, the next calendar month, and the next 2 months in a given quarter.

Description of the Securities Settlement System

This chapter, as included in the original ASEAN+3 Bond Market Guide published in 2012, has been discontinued in favor of a more comprehensive and updated description in the Phase 2 Report of ABMF Sub-Forum 2 (SF2), *Information on Transaction Flows and Settlement Infrastructures*, dated 13 June 2014. The SF2 Phase 2 Report contains information on the post-trade features of the Viet Nam bond market, its market infrastructure and settlement systems, interest payment and redemption practices, as well as market and message standards (pp. 262–271). In addition, the SF2 Phase 2 Report contains detailed infrastructure and transaction flow diagrams for the bond market in Viet Nam (pp. 618–640).

The SF2 report is available on a dedicated ADB website, as well as through a number of mirror sites.¹⁴

¹⁴ See <http://www.adb.org/publications/asean3-information-transaction-flows-and-settlement-infrastructures>

Bond Market Costs and Taxation

This chapter details the typical costs incurred by issuers and investors in the Viet Nam bond market, with a particular emphasis on costs associated with bond or note issuance and settlement.

For ease of reference, the descriptions of the types of costs are given in the context of the actions to be taken by issuers or investors (as explained in this document) and follow the life cycle of a bond or note in the Viet Nam bond market.

A. Costs Associated with Debt Securities Issuance

Fees and charges applicable to activities in the Viet Nam bond market are typically regulated or capped by the regulatory authorities. Specific circulars issued by the MOF state the possible fee tariffs for market institutions and participants to observe.

As one example, Circular No. 242/2016/TT-BTC, which came into effect on 1 January 2017, defines the price range permitted for the provision of services by market institutions to market participants in the securities market in Viet Nam. The circular superseded all earlier regulations on securities services pricing.

1. Registration of Bond Issuance and Approval from the State Securities Commission (Mandatory for Public Offers)

Issuers wishing to issue debt securities via a public offering need to apply to the SSC for approval. The SSC issues a registration certificate for such public offering and collects a fee for the review and approval process, and the issuance of said certificate. Please also see Chapter II.E for a complete description of the SSC's review and approval process.

Pursuant to Circular No. 67-2014-TT-BTC, issued by the MOF on 21 May 2014, a fee scale applies for the registration of securities, including debt securities, with the SSC (Table 6.1).

Table 6.1: Fee for Securities Registration Certificate by the State Securities Commission

Proposed Securities Issuance Amount	Fee Rate
Under VND50 billion	VND10 million
From VND50 billion to less than VND150 billion	VND20 million
From VND150 billion to less than VND250 billion	VND35 million
VND200 billion or above	VND50 million

VND = Vietnamese dong.

Source: State Securities Commission, based on Circular No. 67/2014/TT-BTC, dated 21 May 2014.

http://www.ssc.gov.vn/ubck/faces/oracle/webcenter/portalapp/pages/en/legaldocumentdetail.jspx;jsessionid=1mTFbYWTgwLp2FvgIXhPJbGhNFZYj1hJyTNWpwxTRBZgwFN8lyQB!2105881361!490282670?dDocName=APPSSCGOVVN162103710&_afLoop=31023924819148794&_afWindowMode=0&_afWindowId=null#%40%3F_afWindowId%3Dnull%26_afLoop%3D31023924819148794%26dDocName%3DAPPSSCGOVVN162103710%26_afWindowMode%3D0%26_adf.ctrl-state%3D1942fcch2t_4

The fee is payable by the issuer upon issuance of the registration certificate by the SSC. The same fee scale also applies for the additional issuance of debt securities.

2. Underwriter Fee (Mandatory for Public Offering)

In the case of debt securities, underwriters may be securities companies or commercial banks. The use of an underwriter, or multiple underwriters, as the case may be, is mandatory for the issuance of debt securities via a public offering.

An underwriter will charge a fee that is typically commensurate with the effort and risk of taking over part or all of a debt securities issue from the issuer and which may be subject to negotiations between issuer and underwriter. Pursuant to Circular No. 242/2016/TT-BTC, underwriting fees may be charged at between 0.5% and 2.0% of the total value of securities issued through a guaranteed offering. In the case of a private placement, the underwriting fee or issuing agent fee is fully negotiable. In either case, the fee is payable by the issuer.

3. Initial Securities Registration Fee at Vietnam Securities Depository (Mandatory)

Securities issued in the Viet Nam market, including debt securities, must be deposited in VSD in order to be eligible for trading on the exchanges, settlement, and transfer. The issuer needs to pay a registration fee, officially known as the “initial securities registration fee,” within 5 working days after VSD issues the certificate of initial securities registration. The initial registration fee rate is determined by the total value of the issued securities (Table 6.1).

Besides the initial registration fee, VSD also charges an additional registration fee of VND5 million for any additional securities deposited.

Table 6.2: Initial Securities Registration Fee at the Vietnam Securities Depository

Securities Registration Value	Fee Rate
Securities registration value under VND80 billion	VND10 million
Securities registration value from VND80 billion to less than VND200 billion	VND15 million
Securities registration value from VND200 billion or more	VND20 million

VND = Vietnamese dong.

Source: Hanoi Stock Exchange, based on Circular No. 241/2016/TT-BTC, dated 11 November 2016.
<https://hnx.vn/en-gb/van-ban-phap-ly.html>

B. Costs Associated with Debt Securities Listing

Issuers may list their debt securities on HNX or HOSE (please see Chapter III.I for details on eligibility and listing process). A listing is subject to the review and approval of the respective exchange and incurs a number of fees, both one-time and recurring.

The fees mentioned below are not applicable to government bonds, government-guaranteed bonds, and local government bonds.

1. Initial Listing Registration Fee

HNX and HOSE levy an initial listing registration fee for corporate bonds and notes, payable at the time the issuer applies for the listing. The initial listing registration fee is a one-time fee set at VND10 million and is billed to the issuing organization. In the event of a change in the initial listing registration, a change fee of VND5 million is applicable.

2. Annual Listing Management Fee

In addition to the initial listing registration fee, the exchanges also impose an annual listing management fee, which is intended to defray the costs of the exchange of providing the platform and services for the listing of securities.

The fee rate for the listing management fee is based on the listing value of the securities (Table 6.3).

Table 6.3: Annual Listing Management Fee on Exchanges in Viet Nam

Listing Value	Fee Rate
Listing value under VND80 billion	VND15 million
Listing value from VND80 billion to less than VND200 billion	VND20 million
Listing value of VND200 billion or more	VND20 million plus 0.001% of listing value (not exceeding VND50 million)

VND = Vietnamese dong.

Source: Hanoi Stock Exchange, based on Circular No. 241/2016/TT-BTC, dated 11 November 2016.
<https://hnx.vn/en-gb/van-ban-phap-ly.html>

C. Ongoing Costs for Issuers of Securities

Ongoing costs arise from service providers appointed by the issuer for the provision of services throughout the lifecycle of the debt securities. These services typically include the representative of bondholders' function, as well as charges incurred at the central depository.

1. Fee for Representative of Bondholders (Mandatory for Public Offers)

Securities companies or commercial banks may be appointed to act as the representative of bondholders; under prevailing regulations, the appointed party must be a member of VSD. The service is provided throughout the lifecycle of the debt securities. Please see Chapter III.Q for a definition of the function and a description of the service provided by a representative of bondholders.

According to Circular 242/2016/TT-BTC, the fee for representing bondholders is capped at 0.1% of the total value of the issued bonds or notes. The fee is paid by the issuer. The actual fee charged may be subject to negotiations between issuer and service provider.

D. Costs for Deposit and Withdrawal of Securities

The issuer is required to deposit the issued securities at VSD under prevailing regulations. Securities are typically kept on a book-entry basis, in the form of electronic records only.

The initial registration of securities attracts an initial securities registration fee (see section A.3 for details). If a public offering is made, the issued securities have to be registered at VSD. After that, the securities owner can deposit them at VSD via a depository member.

A withdrawal of individual physical certificates of debt securities from VSD is not possible.

E. Costs Associated with Securities Trading

Fees and charges that may be applied by the stock exchanges in Viet Nam, as well as those levied by VSD, are regulated in Circular No. 241/2016/TT-BTC, dated 11 November 2016. The securities trading related fees with relevance for the bond market are detailed in this section for easy reference.

1. Exchange Related Fees

HNX and HOSE levy a number of fees for the provision of access to their platforms and systems, and for other services provided. These fees are charged to the trading members but may be recovered from investors on an out-of-pocket expenses basis, or as part of their own fee schedule for services to investors.

a. Trading Member Management Fee

Trading members of HNX and HOSE incur an annual trading member management fee of VND20 million, across all trading platforms and systems.

b. Terminal Equipment Use Fee

HNX and HOSE provide access to their trading platforms and systems for their trading members. This access is charged for each terminal, or access point, on the trading floor and other departments within a member's premises. The current terminal equipment use fee is VND20 million per member per annum.

Trading members are also liable to pay an initial connection fee once they become members of the exchange, as well as a periodical connection maintenance fee on an annual basis. It costs VND150 million for the first-time connection and VND50 million per member per annual for maintenance.

c. Trading (Transaction) Fee

Any trade in debt securities—including corporate bonds, government bonds, T-bills, government-guaranteed bonds, and local government bonds—on HNX or HOSE incurs a trading fee for the trading members on the sell-side and buy-side. The fees are billed monthly by the exchange and must be paid by the trading member by the 15th of the following month.

For debt securities, the trading fee is set at 0.06%, or 6 basis points, of the value of the trade.

d. Trading (Transaction) Fee for Repo Transactions

Fees for repo transactions on the exchange are charged to trading members based on the term of the repo (Table 6.4). Repo transaction fees are billed monthly by the exchange and must be paid by the trading member by the 15th of the following month.

Table 6.4: Repurchase Transaction Fees on Exchange

Tenure of the Repo Transaction	Fee Rate
Term up to 2 days	0.0005% of trading value
Term from 3 to 14 days	0.004% of trading value
Term of more than 14 days	0.0075% of trading value

Source: Hanoi Stock Exchange, based on Circular No. 241/2016/TT-BTC, dated 11 November 2016. <https://hnex.vn/en-gb/van-ban-phap-ly.html>

2. Brokerage Commission

Brokerage commission is payable by investors to securities companies carrying out their orders on HNX and HOSE. Pursuant to Circular 242/2016/TT-BTC, securities companies may set their brokerage commission for equities and fund certificate transactions within the range of 0.15%–0.5% of the trading value of the securities. For transactions in debt securities, however, no specific fee range is prescribed and no cap applies for brokerage commission; hence, the commission is likely set by agreement between securities companies and their clients.

In cases where the government is divesting its stake in a listed company, e.g. in the event of a public offering of a former SOE, the brokerage commission may not exceed 0.03% of the trading value, with a cap of VND3 billion per transaction. Some special conditions may apply in such cases and are subject to consideration by the MOF.

3. Transaction Charges

Commercial banks buying or selling bonds and notes for the clients are not charging brokerage commission because banks are not members of the exchange. At the same time, commercial banks may participate as trading members of the HNX bond trading system only. Currently, there are 28 commercial banks using the HNX bond trading system. Banks only trade for proprietary purposes and do not supply trading brokerage service for clients (also see Chapter IV for details on the trading of debt securities in Viet Nam).

Commercial banks may recover their trading expenses through separate fees charged to customers. Alternatively, commercial banks may build any such fees into the price or yield quoted to investors.

F. Costs for Safekeeping, Settlement, and Transfer of Bonds and Notes

Circular No. 241/2016/TT-BTC, issued by the MOF in November 2016, regulates the fees and charges that may be applied by VSD, being a state-owned entity under the governance of the SSC and, ultimately, the MOF. Fees applicable to the safekeeping, settlement, and transfer of bonds and notes are explained in this section. The fees are typically incurred by VSD members (i.e., securities firms and commercial banks acting as custodians) on their accounts maintained directly with VSD and may be passed on to investors as out-of-pocket expenses. Depository members are also subject to a depository member management fee of VND20 million per annum.

1. Securities Depository Fee

VSD levies a securities depository fee on the deposited securities balances by its depository members. The securities depository fee is calculated daily on the account balances by debt securities but charged monthly. The daily deposited securities balance is calculated at the end of the day, once VSD has completed all settlement and transfer activities between accounts.

The securities depository fee is billed to depository members at VND0.2 per bond unit—a unit represents a nominal value of VND100,000—per month and is payable before the 15th of the following month.

2. Securities Transfer (Transaction) Fee

VSD applies a securities transfer fee for each settlement transaction between depository members (i.e., where the securities are transferred between the accounts of different depository members). The securities transfer fee for debt securities is billed at VND0.5 for each transfer of a nominal securities unit (standard denomination; in the case of bonds the unit is VND100,000) per securities code; the maximum fee amount per transaction is VND500,000.

Transfers between accounts or positions held by the same depository member are not chargeable and may be affected by the depository member through their VSD system access directly. If an ownership transfer occurs, an ownership transfer fee shall be applied. The securities transfer fee also does not apply to the settlement and transfer of debt securities as a result of transactions under the open market operation of SBV and its constituent institutions.

3. Trade Error Correction Fee

VSD also levies a fee in the event that a settlement party entered incorrect information into VSD settlement process. The trade error correction fee is charged at VND500,000, and is to be paid by the party responsible for the error.

4. Securities Ownership Transfer Fee

Some types of transfers of ownership of debt securities occur in VSD not as a result of transactions on the exchange but due to other underlying transactions, such as offers, donations, or inheritance of assets. The SSC has approved a list of acceptable underlying transactions for which an ownership transfer outside of the exchange may be carried out in VSD (see also Chapter III.M for details on ownership transfers).

The securities ownership transfer fee for debt securities is set at 0.005% of the value of the ownership transfer and is payable by the party receiving the ownership transfer within 5 days after VSD confirms the securities ownership transfer.

G. Fees Related to Securities Borrowing and Lending Transactions

According to Circular No. 10/2017/BTC-TT, besides outright and repo transaction, the HNX bond trading system will offer two more products, Sell and Buy Back and Bond Borrowing and Lending. These two products are to be offered in the course of 2018 and have a similar trading fee to repo transactions.

VSD is providing securities borrowing and lending services as part of its product offering. Securities for lending are made available by depository members or their investor clients with long positions, for which the investors receive a fee once their securities are lent out. Please see Chapter IV.G for further details.

Securities borrowing is available to depository members primarily to avoid settlement failure. For their service of facilitating securities borrowing and lending transactions, VSD is charging 10% of the loan interest per transaction, which is borne by the borrower; a minimum fee of VND500,000 per transaction applies. Depository members have to collect service fees from their investor clients who are securities borrowers to pay VSD accordingly.¹⁵

H. Taxation Framework and Requirements

1. General Overview

In Viet Nam, tax policy is determined by the MOF and tax collection and enforcement is carried out by the General Department of Taxation of the MOF.

The main types of taxes that investors in debt securities need to be aware of when doing business in the country are corporate income tax (CIT), personal income tax for individuals, indirect taxes (such as value-added tax [VAT]), and special sales tax.

In Viet Nam, all these taxes are imposed at the national level. There are no local, state, or provincial taxes.

¹⁵ Information based on Deutsche Bank AG Domestic Custody Services. 2009. Market Guide Vietnam.

2. Duties and Taxes for Institutional Investors in the Bond Market in Viet Nam

Foreign institutional investors, including foreign investment funds, which have no legal presence in Viet Nam, are subject to income tax on a deemed basis. The deemed income tax (deemed CIT) rate is 0.1% of the securities sale proceeds for each transaction.

Table 6.5 provides an overview of the tax regime for nonresident Institutional Investors in the Viet Nam securities market. Details and the application of the individual types of tax are explained in the subsequent sections.

Table 6.5: Duties and Taxes on Debt Securities for Nonresident Institutional Investors in Viet Nam

Duties and Tax	Type of Bond	Tax Rate (%)
Corporate Income Tax	Government	Exempt from tax for interest income
	Corporate	Deemed basis (see capital gains tax)
Withholding Tax	Government	Exempt
	Corporate	5%
Capital Gains Tax	Government	0.1% of total sales proceeds (considered part of income tax)
	Corporate	
Stamp Duty	Universal	N/A
Value-added tax	Universal	N/A

N/A = not applicable.

Source: Compiled by ADB consultants for SF1 from public domain sources.

For listed bonds, the securities company (broker) is responsible for withholding, reporting, paying, and finalizing applicable taxes with the General Department of Taxation on behalf of the investors.

3. Corporate Income Tax

Generally, an enterprise established under Vietnamese law must pay tax on a worldwide basis and, as such, income from sources outside of Viet Nam is taxable. In line with the objective of making Viet Nam a more attractive investment location, the standard CIT rate has been repeatedly decreased over the past few years from 28% to 25% in 2009, and to 22% in 2014 and 20% in 2016.

Nonresident institutions pay income tax on a deemed basis, with regard to any gains from the sale of debt securities; please see section 5 for details.

4. Withholding Tax

According to MOF Circular No. 111/2013/TT-BTC, dated 15 August 2013, resident and nonresident investors are exempt from tax on interest from government bonds.

Nonresident investors are required to pay 5% withholding tax on income from coupons of (corporate) debt securities. The tax is to be withheld on payment day and the responsibility for a correct withholding lies with the issuing company.

5. Capital Gains Tax

Capital gains tax is not a separate tax in Viet Nam, but is part of the CIT or personal income tax applied for capital transfer. Gains derived from the sale of a securities transactions are subject to a 20% CIT. This is generally referred to as capital assignment profits tax. Although it is not a separate tax as such, the taxable gain is determined as the excess of the sale proceeds less purchase cost and transfer expenses.

A tax rate of 20% on the income generated or a flat rate of 0.1% on the total sale proceeds will apply, depending on whether the transfer is considered a transfer of capital or transfer of securities, or whether the transferor is an individual or an organization.

Gains from the sale or disposal of debt securities (considered a “transfer of securities”) by a nonresident institution are subject to CIT on a deemed basis at the rate of 0.1% of the total sale proceeds. The securities firm servicing the nonresident investor as seller is responsible for the application of the correct amount of tax.

6. Stamp Duty

Stamp duty is payable on all transfers of paper documents bearing a sum of money, including promissory notes and securities of all types. The amount is payable based on the nominal value of the instrument. Stamp duty (formally known in Viet Nam as a Registration Fee) only applies on the required registration of ownership of certain assets, including buildings, land, and transportation vehicles with a rate ranging from 0.5% to 20%.

Stamp duty does not apply to the book-entry securities transactions in Viet Nam.

7. Value-Added Tax

At the time of the compilation of the Viet Nam Bond Market Guide, the VAT standard rate was 10%. VAT applies to domestic service provision in the securities market. VAT does not apply when invoicing nonresident investors for services rendered in Viet Nam.

There are 26 categories of business transactions for which VAT is exempt, including financial transactions. For transactions in government bonds, VAT is not applied.

8. Double Taxation Agreements

Double taxation agreements (DTAs) are treaties signed by Viet Nam with other countries that specify tax exemption on income derived from investments, whereby investors are only liable to pay income tax in one country as a means of inducing foreign investment.

Viet Nam had executed DTAs with more than 70 countries at the time the Viet Nam Bond Market Guide was compiled. For information on applicable DTAs and any qualifying comments, it is recommended to contact a professional tax advisor to address individual tax situations and avoid any possible misinterpretation of the present taxation regime in Viet Nam in relation to the country of residence of the investor.

9. Tax Concessions or Exemptions for Nonresident Investors

In Viet Nam, there are no tax concessions specifically for nonresident investors in the securities market, other than those available under existing DTAs (see section 6).

Market Size and Statistics

The original ASEAN+3 Bond Market Guide was published in April 2012 and included several pages of Viet Nam bond market statistics, including historical data such as bond holdings, bondholder distribution, outstanding amounts, and trading volumes. Not surprisingly, this data became stale soon after publication.

Since the ASEAN+3 Bond Market Guide is most likely to be updated only on a biennial basis, it is not the best channel for the dissemination of market statistics. Hence, a chapter comprising bond market statistics has been discontinued and replaced with a list of recommended sources for detailed, accurate, and current information sources on the Viet Nam bond market. These sources are listed below in alphabetical order.

- *AsianBondsOnline* (an ASEAN+3 initiative led by ADB)
<https://asianbondsonline.adb.org/new/economy/?economy=VN>
 - Market-at-a-Glance
 - Data (market size, yields, indicators, ratings, including historical data)
 - Market structure
 - Market summary
 - News (latest statistics)
- State Bank of Vietnam
 Annual Report 2015 (latest version, issued on 6 July 2017)
<https://www.sbv.gov.vn/webcenter/ShowProperty?nodeId=/UCMServer/SBV290774/idcPrimaryFile&revision=latestreleased>

 Statistics
https://www.sbv.gov.vn/webcenter/portal/en/home/sbv/statistic/boip?_afrLoop=299671298323000#%40%3F_afrLoop%3D299671298323000%26centerWidth%3D80%2525%26leftWidth%3D20%2525%26rightWidth%3D0%2525%26showFooter%3Dfalse%26showHeader%3Dfalse%26_adf.ctrl-state%3D7yxefo9w1_142
- Ministry of Finance
 Annual Report 2015 (latest version, issued on 15 November 2016)
<http://www.mof.gov.vn/webcenter/portal/mof/r/l/cm16297?dDocName=MOFUCM092092&dID=95098>
- Hanoi Stock Exchange
 Statistics by year/month/day
<https://hnx.vn/en-gb/traiphieu/thong-ke-giao-dich.html>

 Annual Report 2016
https://owa.hnx.vn/ftp//PORTALNEW/PUBLICFACTBOOK_FA/20170620/HNX%20Annual%20Report%202016%20_final.pdf

Presence of an Islamic Bond Market

At present, there is no Islamic bond market in Viet Nam.

Viet Nam Bond Market Challenges and Opportunities

This chapter discusses some of the real and perceived challenges facing the Viet Nam bond market and its participants, and also describes the possible mitigating factors or market developments that could address these challenges in an appropriate manner.

A. Challenges in the Viet Nam Bond Market

1. As Assessed by the Vietnam Bond Market Association

According to an assessment by the VBMA, a number of specific challenges continue to exist in the Viet Nam bond market:

- i. limited Institutional Investor base,
- ii. insufficient range of financial instruments or products as hedging tools,
- iii. very limited universe of potential issuers for corporate bonds,
- iv. inconsistencies and gaps in the regulatory framework for the bond market,
- v. deficiencies in the offering and issuance process for corporate bonds,
- vi. weak disclosure requirements and limited access to key information,
- vii. limited regulatory capacity,
- viii. limited liquidity and little or no secondary market trading for corporate bonds,
- ix. lack of credit agency services,
- x. no provisions for the representative of bondholders, and
- xi. limited liquidity in the secondary market also affecting repo and securities lending.

These challenges are consistent with typical issues experienced by a smaller bond market as part of its development. Some of the challenges are further explained below. In response, the 2017 Roadmap addresses many of the stated challenges (see Chapter X.B for details).

2. Need for the Repo Market to Be Developed

Among the issues above mentioned by market participants, one is that the repo market has been developed significantly over the past few years but still has room for improvement. Cited as an underlying issue, the liquidity of the government bond market needs to be further enhanced, in order to accommodate a more active market, particularly for repo transactions.

Among the market feedback, the specific items mentioned include the need to (i) establish a legal and accounting framework conducive for repo, including a common interpretation of the applicable tax treatment; (ii) improve the trading system for repos to better facilitate transactions; (iii) improve the clearing and settlement system and practices for government securities; and (iv) further improve the primary dealer system and its role in the repo market.

Some of the challenges listed have already been identified by policy bodies and regulatory authorities, and are expected to be addressed under the bond market roadmap.

3. Small Market's Listing Scale and Limited Bond Types and Issuers

The listing scale (actual size per bond issuance) of each particular bond type is still limited, which results in difficulties for investors in choosing bond types and issuer names to trade. Hence, the whole bond market's listing scale should be increased.

4. Imbalance in Bond Maturity Terms

In recent years, the government has been increasing the number and types of issues of super-long bonds to improve the government bond market. At the same time, an imbalance in the maturity terms for new government bonds issued in the primary market can still be observed.

The average maturity of government bonds increased from 2.8 years at the end of 2013 to 5.0 years at the end of June 2016, as the government has been targeting long-term investors such as insurance companies and pension funds. On the other hand, the government has reduced the issuance of bonds with shorter maturities. At the same time, about 80% of bonds are still held by banks which prefer government bonds with shorter maturities. This continuous demand and more limited supply in shorter-term instruments creates a shortage at the shorter-maturity end of the market. However, it is expected that the government will continue to pursue its focus on longer-term investors to expand their share and balance the issuance volume across all maturities.

5. Insufficient Regulatory Framework for Private Placements

In the corporate bond market, except for a few issues listed on HNX and HOSE, a significant portion is considered to be issued via private placement. Despite an obligation to report issuances to the MOF, it is not easy to grasp the outstanding balance in the market since there is no official registration or a deposit obligation with VSD for privately placed corporate bonds. Once issued, it is difficult to obtain information on issuing companies, their issuances, issue price, coupon rate, and so on. As a result, there is almost no secondary market.

Despite mentions of Institutional Investors and private placements in existing regulations, the regulatory framework is also currently insufficient to allow a flourishing of the private placement market, including a professional investors only market. One key issue is that the current regulations do not distinguish between institutional securities investors and professional investors. Even private placement bonds issued for professionals can be sold to nonprofessional investors such as individuals. Since sale and resale restrictions are not legally maintained, problems remain from the perspective of investor protection.

Also, as there are no CRAs in the country, many corporate bonds do not get a credit rating. This point becomes a big issue as the issuance of corporate bonds develops further and the secondary market is developed.

The 2017 Roadmap provides for specific prescriptions for a professional market and issuance of private placements to replace existing regulations soon. As clearly stated in the roadmap, private placement bonds should be listed on the exchange (as profile listing) and produce a specified amount of disclosure information, and the securities should be registered in VSD. The proper announcement of planned issuances is also expected to be mandated.

Please also see Chapter X for a glimpse at the proposed development steps contained in the roadmap.

6. Language of Issuance Documentation

In the near future, in order to share common market practices and standards with the professional bond markets in other ASEAN countries, the use of English for disclosure documents should be allowed in the private placement market for professional investors in Viet Nam (please also refer to Chapter III.G).

B. Opportunities in the Viet Nam Bond Market

To address some of the challenges mentioned in the previous section, a number of the planned and envisaged developments in the Viet Nam bond and securities markets are reviewed in this section.

1. Roadmap for the Development of the Viet Nam Bond Market

The Prime Minister signed Decision No. 1191/2017/QĐ-TTg on Approving the Bond Market Development Roadmap, 2017–2020 and Vision Toward 2030 on 14 August 2017. This roadmap laid out in specific detail objectives and planned activities for the bond market in Viet Nam, while committing policy bodies, regulatory authorities, and market institutions to changes to the legal and regulatory framework, processes, and market practices. Many of the objectives in the roadmap clearly take note of the existing challenges in the Viet Nam bond market (also see section A) and, hence, these challenges are expected to be addressed in the near future.

Please see Chapter X.B for a comprehensive review of the stated objectives and planned solutions contained in the roadmap.

2. ASEAN+3 Multi-Currency Bond Issuance Framework

For more detailed information on AMBIF, please refer to section C.3 in Chapter X.

3. Merger of Hochiminh Stock Exchange and Hanoi Stock Exchange

The two stock exchanges in Viet Nam are expected to be merged in 2018. According to the plan to merge HOSE and HNX, the merger will result in the Vietnam Stock Exchange, headquartered in Ha Noi. All shares listed on HNX will be moved to HOSE, while the bonds and derivative market will be located in Ha Noi. After the merger, the government will keep its 100% stake in the Vietnam Stock Exchange.

The merger is expected to simplify and significantly boost listing and trading activities in the exchange bond market.

Recent Developments and Future Direction

A. Recent Major Developments

Recent major developments are considered those that occurred or have been announced in the Viet Nam market since the first publication of the Viet Nam Bond Market Guide in April 2012.

1. Past Plans in 2007 and 2012

While the most recent decision on the 2017 Roadmap is very comprehensive and includes a concrete process chart for the future, it is only the latest in a series of specific decisions for the securities market development.

As part of its continuous efforts for the development of the securities market, or capital market at large, the Government of Viet Nam issued in 2007 and 2012, respectively, the following:

- i. **The Viet Nam Capital Market Outlook, 2007–2020.** Decision No. 128/2007/QĐ-TTg was passed on 2 August 2007. In this decision, as one of the specific objectives to develop a diversified capital market in order to satisfy the need for capital mobilization and investment by entities in the economy, the securities market capitalization was targeted to reach 50% of GDP by 2010 and 70% by 2020.
- ii. **The Strategy for Development of Vietnam's Securities Market, 2011–2020.** Decision No. 252/2012/QĐ-TTg was passed on 1 March 2012 and, among other objectives, the target GDP ratio of securities market capitalization of 70% by 2020 was maintained. At the same time, a bond market development roadmap through 2020 aimed to deepen the bond market.

2. Development of Hanoi Stock Exchange Reflective of Market Progress

HNX, in particular in its role as the designated trading platform for the government bond market, has evolved in recent years in line with the overall development of the Viet Nam bond market. Some of the more significant milestones in the last 5 years include the following:

- i. 2013, launch of the Government Bond Benchmark Yield Curve;
- ii. 2015, introduction of E-BTS, with access via Bloomberg;
- iii. 2015, addition of short sale, sell and buy back transactions;
- iv. 2015, development of government bond indexes;
- v. 2016, introduction of E.ABS; and
- vi. 2017, launch of the listed derivatives market, including bond futures.

More information on the above developments at HNX can be found in the relevant sections of Chapter IV.

3. Government Bond Market Results in 2016

In recent years, the bond market, particularly the government bond market, has experienced remarkable progress. The developments in 2016 are a good illustration of said progress as the government bond market on HNX set a number of records in 2016, which are described below.

As of 31 December 2016, the total value of listed government bonds reached more than VND930 trillion, an increase of 23.5% year-on-year. At the same time, the 2016 results of government bond auctions in the primary market reached more than VND336 trillion (approximately USD15 billion), an increase of more than one thousand times compared to 2009.

Another success was the continuous maturity extension for government bonds. In 2016, the long-term and ultra-long-term issuances (20 and 30 years, respectively) performed very well. By the end of 2016, the average term of government bonds had reached 8.3 years, bringing the average maturity of the government debt portfolio to 5.6 years; this was 1.2 years longer than the average term at the end of 2015, when it had been 4.4 years.

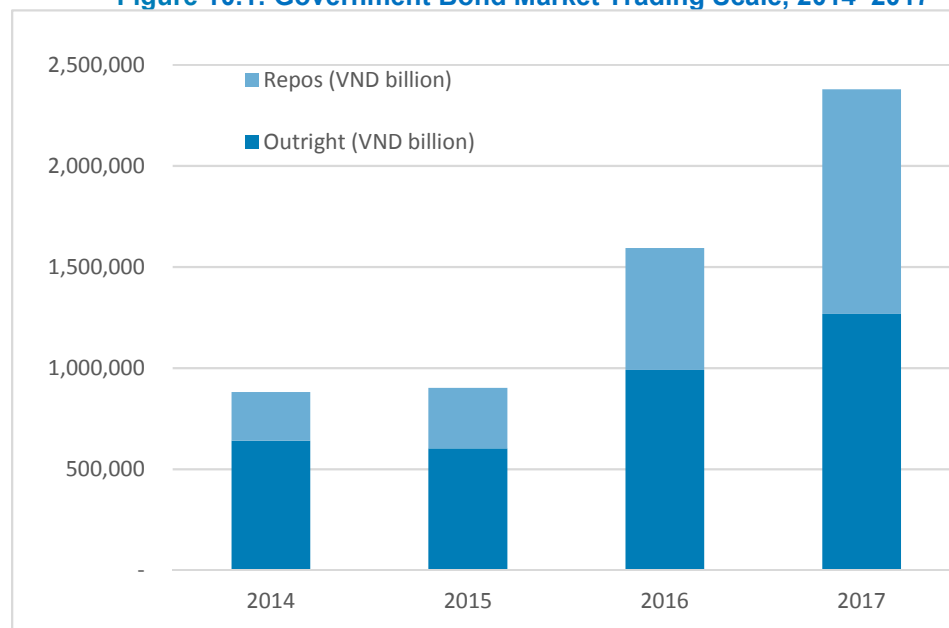
In 2016, the total government bond trading value hit a record VND1,596.5 trillion (approximately USD65.2 billion), of which the outright trade and repo value reached VND991.2 trillion and VND603.2 trillion, respectively; the average trading session value amounted to VND6.35 trillion per session, an increase of 73.8% compared to 2015.

Repo trading also increased significantly. In the past, the repo trading value accounted for only 0.05% of the total market trading value; however, in 2016, repo trading exceeded the outright trading value on a number of days. This showed that market liquidity made good progress and the bond market had developed in depth.

Also, in 2016, along with the sharp decrease of interest rates (the yield for 5-year bonds fell by 175 basis points, from 6.65% to 4.9% per annum), the extension of the maturity meant a lot to the restructuring of government debt toward extending debt repayment, and reducing pressure on the peak of short-term debt and the cost of raising capital.

In 2016, foreign investors showed more interest in the Viet Nam government bond market, which was reflected by the net buying value of VND12.7 trillion, compared to net selling to the tune of VND4.4 trillion in 2015. Foreign investors increased net buying across all tenors, especially after SBV issued Circular No. 06/2016/TT-NHNN, increasing the ratio of government bonds purchasing and investment by foreign bank branches (from 15% to 35%) and state-owned commercial banks (from 15% to 25%).

In 2017, the total government bond trading value hit another record of VND2,380.6 trillion. Total outright trading value amounted to VND1,268 trillion and total repo trading value came to VND1,110.5 trillion, yet again a significant increase from the previous year (Figure 10.1).

Figure 10.1: Government Bond Market Trading Scale, 2014–2017

VND = Vietnamese dong.

Source: Hanoi Stock Exchange-Trading Scale Statistics, 2014–2017.

4. Settlement of Government Bond Transactions via State Bank of Vietnam

Effective August 2017, SBV took over the payment for transactions in government bonds that had previously been handled by a commercial bank. This transfer of the payment role significantly enhanced the risk profile and finality of government bond transactions in the Viet Nam bond market and brought this market segment in line with international best practice.

5. Recent Achievement by Vietnam Securities Depository

Some of the main objectives of the 2017 Roadmap directly relate to VSD's business operations, including (i) the shortening of the time period from bond issuance to bond listing from T+2 in 2016 to T+1 by 2025; (ii) gradually transferring the cash payment function for bond transactions from commercial banks to SBV; and (iii) coordinating with HNX to develop bond derivatives. Please see section B for the full list of bond market development objectives and proposed solutions.

In support of the vision expressed in the roadmap, VSD completed the transfer of the cash payment function for government bond transactions, government-guaranteed bonds, and municipal bonds from the commercial bank to SBV in 2017.¹⁶

6. Introduction of Market Maker Concept

With the promulgation of Decree No. 95/2018/ND-CP, the Government of Viet Nam formalized the concept of market makers in the Viet Nam bond market. Effective from 2019, banks and securities firms can get accredited as market makers by the MOF, provided they fulfill specified eligibility criteria. Market making will allow privileged access to government bond auctions while requiring the purchasing and placement of

¹⁶ The information is an edited extract from Vietnam Securities Depository. 2017. *Annual Report 2017*. <http://vsd.vn/CMSImage/ENGCMSIMG/CKFinderUpload/ANNUAL%20REPORT%202017%20mix.pdf>

government bond quantities set by the MOF, and the continuous quoting of prices for government bonds to the market at large. The MOF will evaluate and rank market makers annually and may withdraw the accreditation if certain qualifications are no longer met.

B. Bond Market Development Roadmap Concluded in August 2017

The MOF and SBV published Decision No. 1191/2017/QĐ-TTg on 14 August 2017. This 2017 Roadmap is intended to guide the path for policy bodies, regulatory authorities, market institutions, and market participants toward the further improvement of the Viet Nam bond market.

Due to the significance of the stated objectives and proposed steps for further development of the Viet Nam bond market, the individual points of the roadmap are listed below for easy reference.

1. Objectives

a. General objectives

- developing a stable, fully-structured market with synchronous supply and demand;
- broadening the investor base;
- increasing the quantity and quality of market activities, diversifying products, operations;
- ensuring the transparency and publicity of market operation;
- making the bond market become an important channel for raising medium- and long-term funds for the economy and protecting the lawful interests of investors; and
- actively integrating with international markets, step-by-step adopting international standards and best practices.

b. Specific objectives

- raising the outstanding volume of the bond market to 45% of GDP in 2020 and about 65% of GDP in 2030; the outstanding amount of government bonds, government-guaranteed bonds, and municipal bonds should be about 38% of GDP in 2020 and about 45% of GDP in 2030; corporate bonds outstanding should be about 7% in 2020 and 20% in 2030;
- lengthening the average time to maturity of government bonds in domestic market during 2017–2020 to 6–7 years and during 2021–2030 to 7–8 years;
- raising the daily average trading volume of government bonds, government-guaranteed bonds, and municipal bonds to 1% in 2020 and 2% in 2030; and
- raising the proportion of government bonds held by insurance companies, the Social Security Fund, pension funds, and other non-bank institutions to 50% in 2020 and 60% in 2030.

c. Regarding corporate bonds

- clarify the requirements for issuance and the issuing procedure to not only encourage enterprises to issue bond but also ensure publicity, transparency of the market, and protect investors:

- i. separate the requirements, dossiers for public offering of corporate bonds and the requirements, dossiers for public offering of stocks when the Law on Securities is amended to encourage enterprises to do public offering to raise funds; the goal is to require corporate bonds and stock issuers to be credit-rated by at least two qualified CRAs;
 - ii. check the requirement for private placement of corporate bonds and require disclosure of information, add the requirement that only professional investors are allowed to invest in corporate bonds issued by private placement; require private placement corporate bonds to be centrally registered and listed; and
 - iii. develop a mechanism to allow enterprises to issue corporate bonds in multiple phases (shelf-registration and/or note issuance program) to raise funds in accordance with the progress of their projects;
- require enterprises, especially large enterprises, to raise medium-term and long-term funds by issuing corporate bonds;
 - encourage the diversification of corporate bonds when the market is at a higher stage of development, such as through floating-rate bonds, medium- and long-term bond issuing schemes (shelf-registration and/or note issuance programs), and securitization of home mortgages or collaterals; and
 - issue statutes to guide the corporate bond issuance procedures according to market practices in order to train and instruct enterprises in the corporate bond market.

The 2017 Roadmap clearly indicates the government's intention to promote a Shelf-Registration and Note Issuance Program (MTN Program).

2. Solutions

a. Secondary market

- innovate the trading system for government bonds, government-guaranteed bonds, and municipal bonds at the exchange in accordance with the nature of put-through transactions to ensure a prompt and accurate reporting regime to create a benchmark yield curve for the market; increase the accountability of members in the secondary market in terms of transaction reporting;
- require market makers to quote two-way (bid–ask) prices for the standard government bonds benchmark issue to create liquidity for the market;
- VST shall lend bonds to market makers carrying out the obligation of quoting two-way prices for standard bonds to boost market liquidity;
- develop the yield curve and government bond index to support the assessment of the financial return of bond investing;
- draw up the Master Agreement for Repo Transactions to prepare favorable conditions for members to participate in the bond market;
- check and reduce fees relating to registering, listing, depositing and trading in the bond market in line with the nature of bond transactions;
- develop a centralized information center about corporate bonds at the exchanges to supply information about the issuance and trading of corporate bonds; and
- encourage public-offered corporate bonds to be listed on and traded on the exchanges.

b. Develop and diversify the investor base

- Vietnam Social Security: convert all loans to the State Budget to government bonds; invest in the government bonds market through public auctions in accordance with the innovating management of cash flow and VSS's

investment method; when the Law on Social Security is amended, the VSS should be allowed to invest in highly-rated corporate bonds (besides deposits and buying banks' bonds);

- promote the establishment and development of the voluntary pension scheme through tax policies not only to attract long-term funds into the bond market but also to diversify the social security system;
- encourage the Deposit Insurance of Vietnam to boost buying and selling bond in both the primary and secondary markets to raise market liquidity;
- allow insurance companies, especially life insurance, to increase the proportion of investing in government bonds, distinguish between investing in credit-rated corporate bonds and investing in not-credit-rated corporate bonds to not only ensure operational safety but also attract long-term funds into the bond market;
- diversify types of investment funds including bond funds and encourage investment funds to invest in government bonds and corporate bonds;
- pilot the issuance of bonds to individual investors to establish a fund-raising channel satisfying the need for safe investments;
- encourage the participation of foreign investors by improving information disclosure, streamlining administrative procedures, checking and revising tax treatments and bond trading fees for foreign investors; study and issue foreign exchange transactions that can hedge against exchange rate risks and encourage foreign institutions to issue globally deposited certificates that are listed in foreign markets, using Viet Nam government bonds as the underlying assets;
- allow credit institutions to keep part of the required reserve in the form of government bonds when amending the Law on State Bank of Vietnam and the Law on Credit Institutions; and
- revise the policies on restricting credit institutions from holding government bonds; revise the government bond holding ratio to be flexible in each period of time in line with different development stages of the bond market and the stability of the financial-money market; if necessary, certain tradable bonds must be eliminated to better reflect the nature of credit institutions' government bonds investment.

c. Develop intermediary institutions and market services

- promote the program of reforming securities companies and fund management companies based on the principles and roadmaps prescribed in Decision No. 252/QĐ-TTg, dated 1 March 2011, and Decision No. 1826/QĐ-TTg, dated 6 December 2012, and Decision No. 254/QĐ-TTg dated 13 March 2013, to enhance the capability of these institutions in participating in the bond market, especially the issuing, trading, and market makers systems;
- issue policies and grant permissions for representatives of bondholders to manage bonds on behalf of investors; evaluate and check the current regulations on the establishment and operation of credit rating agencies and voluntary pension funds to amend and supplement in accordance with market developments and raise operating efficiency of these institutions in the capital and bond market;
- issue government bonds, government-guaranteed bonds, and municipal bonds only through auctions at HNX;
- modernize information technology regarding the issuing, registering, and depositing system for government bonds and government-guaranteed bonds to minimize administrative procedures and reduce the time from issuing to listing from T+2 in 2016 to T+1 in 2020 to increase liquidity of the bond market;
- transfer the bond settlement function—including government bonds, government-guaranteed bonds, and municipal bonds—from a commercial

- bank to SBV to promote market development in terms of safety and efficiency, and help the SBV carry out its monetary policies (achieved in 2017); and
 - set up the information disclosure system for the issuing and trading of corporate bonds at the exchanges to enhance the development of the corporate bonds market.
- d. Other solutions
- strengthen the cooperation between monetary policies and fiscal policies and the connection, balance, and synchrony between the monetary market, credit market, and bond market:
 - i. improve information-sharing and managing liquidity in the economy with fiscal policies (incomes, disbursements, and fund-raising for the State Budget) between SBV and the MOF to create a solid foundation for macroeconomic and financial markets development;
 - ii. develop a stable money market, build a short-term benchmark rate to boost market liquidity and assist in the development of the bond market; check and revise policies on the limits and prudential ratios of credit institutions to reduce the proportion of lending in total deposits and medium to long-term lending in total short-term deposit and restrict the lending of over 15% of owners' equity of a credit institution to a single borrower to minimize the risk to the banking system, also to redirect fund-raising activities to corporate bonds issuance; and
 - iii. check policies on foreign exchange to revise and improve in order to create risk management products, especially foreign exchange risk, to not only attract foreign investors to the bond market but also ensure Viet Nam's foreign exchange management;
 - increase interactions with market members and enhance the operational effectiveness of the VBMA;
 - organize periodic dialogues, meetings between the MOF, the SBV and market members to exchange information and agree on solutions to develop the bond market;
 - conduct training for members and require members to comply with rules and regulations when participating in the bond market;
 - encourage the VBMA to improve and issue the standards on market development such as code of conduct, market conventions, corporate bonds issuance guidelines, standard prospectus suitable within the legal framework to unify pricing methods, quoting methods, and trading methods in the secondary market;
 - upgrade and improve the portal on bond market at the MOF to enhance publicity and transparency from policies, plans, schedules, and issuance results to enable investors to analyze and seek opportunities for investing in the bond market; and
 - actively participate in international and regional programs and cooperation forums such as ASEAN, ASEAN+3, Asia–Europe Meeting, Asia-Pacific Economic Cooperation, and GEMLOC to enhance the connections with regional bond markets and to develop the local bond market.

C. Future Direction

As evidenced by 2017 Roadmap, the policy authorities in Viet Nam have recognized the issues in the government and corporate bond market segments, and have set out the prescriptions for the improvement of the bond market and capital market overall. This section reviews some of the planned or expected developments in the legal and regulatory framework resulting from the roadmap.

1. Forthcoming Amendment or Introduction of Laws to Improve the Legal Framework for the Bond Market

- The Law on Public Debt regarding the risk management of government bonds—to clarify the source of funds to redeem government bonds, municipal bonds as well as the Prime Minister's, Government's, and Minister of Finance's jurisdiction and autonomy in conducting swap and redemption of government bonds to not only manage government debt but also develop the bond market.
- Amendment of the Law on State Bank of Vietnam and the Law on Credit Institutions to allow credit institutions to use government bonds as a part of their reserves.
- Amendment of the Law on Social Insurance to allow VSS to invest in corporate bonds at a certain proportion, apart from deposits and credit institutions' bonds.
- Improve the legal framework to allow the Deposit Insurance of Vietnam to sell government bonds when necessary.
- Amendment to the Law on Securities to clarify the conditions for issuance, registration, depository, and investors holding publicly issued corporate bonds and private placed corporate bonds in terms of adequate information disclosure; all corporate bond should be registered and deposited; holders of private placed corporate bond should be professional investors to protect investors when revising the law.

2. Forthcoming Amendment of Decrees and Circulars for the Bond Market

- Decrees No. 58/2012/ND-CP (amended by No. 60/2015/ND-CP) and No. 90/2011/ND-CP, together with the Law on Securities, constitute the legal and regulatory framework for issuing corporate bonds. Like the Law on Securities, these decrees are expected to be amended soon.
- As part of the significant focus of policy bodies and regulatory authorities to further develop the government bond market in Viet Nam, Decree No. 01/2011/ND-CP is likely going to be replaced by a comprehensive decree soon. The roadmap mentions that a decree be issued to replace Decree No. 01/2011/ND-CP and its guideline documents to create the necessary legal framework for establishing market makers in the secondary market, supporting liquidity for market makers, carrying out operations to restructure the government's debt portfolio, stabilizing and developing the market, and developing new products.
- Circular No. 211/2012 may be amended or abolished in conjunction with the expected amendment of Decree No. 90/2011/ND-CP.

3. ASEAN+3 Multi-Currency Bond Issuance Framework

The introduction of AMBIF in regional markets in the course of 2015 signaled another potential opportunity for bond or note issuance activities in markets other than the original adopters (Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand).

Potential issuers have identified Viet Nam as one of the markets of particular interest, largely due to the increased focus on decentralized funding for the support of Vietnamese domestic business operations and joint ventures by ASEAN+3-based corporates.

Aimed particularly at the issuance of corporate bonds to professional investors in participating markets, AMBIF encourages domestic and regional issuers to take

advantage of streamlined issuance approval processes across the region. For additional information on AMBIF, kindly refer to the ADB website.¹⁷

The key advantage of AMBIF for Viet Nam lies in the ability of regional issuers to tap multiple markets in addition to Viet Nam while using the same or similar approval processes. This is seen as offering an alternative for corporate issuers to issue bonds across markets instead of (or in addition to) relying on other forms of funding.

AMBIF prescribes, among other elements, the presence of a professional investor only market segment and the use of documentation in English. With the implementation of specific features stated in the 2017 Roadmap (see also section B), the Viet Nam bond market is likely to feature all of the requirements for the issuance of AMBIF bonds in the near future. Already, the SSC and HNX accept part of the supporting documentation for issuance and listing registrations in English.

¹⁷ See *Implementation of the ASEAN+3 Multi-Currency Bond Issuance Framework: ASEAN+3 Bond Market Forum Sub-Forum 1 Phase 3 Report*, Asian Development Bank, September 2015.
<https://www.adb.org/publications/implementation-ambif-asean3-bond-market-forum-sf1-p3>

Appendix 1

Group of Thirty Compliance

The Group of Thirty recommendations were originally conceived as the group's Standards on Securities Settlement Systems in 1989, detailing, in first-of-its-kind report, nine recommendations for efficient and effective securities markets covering legal, structural, and settlement process areas. The recommendations were subsequently reviewed and updated in 2001 under the leadership of the Bank for International Settlements and through the efforts of a joint task force of the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions. Compliance with the Group of Thirty recommendations in individual markets is often an integral part in securities industry participants' and intermediaries' due diligence process.

Table A1.1: Group of Thirty Recommendations—Compliance for Viet Nam

Recommendation		Implemented
1	Eliminate paper and automate communication, data capture, and enrichment.	No
2	Harmonize messaging standards and communication protocols.	No
3	Develop and implement reference data standards.	No
4	Synchronize timing between different clearing and settlement systems and associated payment and foreign exchange systems.	No
5	Automate and standardize institutional trade matching.	Yes
6	Expand the use of central counterparties.	No
7	Permit securities lending and borrowing to expedite settlement.	No
8	Automate and standardize asset servicing processes, including corporate actions, tax relief arrangements, and restrictions on foreign ownership.	Corporate action standardization: Yes Tax: No Foreign ownership restrictions: Yes
9	Ensure the financial integrity of providers of clearing and settlement services.	Yes

Recommendation		Implemented
10	Reinforce the risk management practices of users of clearing and settlement service providers.	Yes
11	Ensure finals, simultaneous transfer and availability of assets.	Yes
12	Ensure effective business continuity and disaster recovery planning.	No
13	Address the possibility of failure of a systematically important institution.	No
14	Strengthen assessment of the enforceability of contracts.	Yes
15	Advance legal certainty over rights to securities, cash, or collateral.	Yes
16	Recognize and support improved valuation methodologies and closeout netting arrangements.	Yes
17	Ensure appointment of appropriately experienced and senior board members (of the boards of securities clearing and settlement infrastructure providers).	Yes
18	Promote fair access to securities clearing and settlement networks.	Yes
19	Ensure equitable and effective attention to stakeholder interests.	Yes
20	Encourage consistent regulation and oversight of securities clearing and settlement service providers.	Yes

Source: Group of Thirty. *Global Clearing and Settlement—A Plan of Action*.
<http://newsite.group30.org/publications/detail/123>

Appendix 2

Practical References

For easy access to further information about the market features described in the Viet Nam Bond Market Guide—including information on the policy bodies, regulatory authorities, and securities market-related institutions—interested parties are encouraged to utilize the following links (most web pages available in English):

AsianBondsOnline (ADB)

<https://asianbondsonline.adb.org/new/economy/?economy=VN>

Hanoi Stock Exchange

<https://hnx.vn/en-gb/>

Hanoi Stock Exchange—Laws and Regulations

<https://hnx.vn/en-gb/van-ban-phap-ly.html>

Hanoi Stock Exchange—*Annual Report 2016*.

https://owa.hnx.vn/ftp/PORTALNEW/PUBLICFACTBOOK_FA/20170620/HNX%20Annual%20Report%202016%20_final.pdf

Hochiminh Stock Exchange

<https://www.hsx.vn>

State Bank of Vietnam

<https://www.sbv.gov.vn/webcenter/portal/en/home/>

State Securities Commission

www.ssc.gov.vn/ubck/faces/en/enmenu/enpages_home

Vietnam Securities Depository

<http://vsd.vn:6066>

Appendix 3

List of Laws and Regulations

A list of the applicable laws and regulations for the bond and securities markets in Viet Nam is provided below for easy reference. The information given was correct at the time of the completion of this bond market guide and will be updated periodically. Since the Viet Nam market is developing rapidly, interested parties are encouraged to regularly check the links provided for the latest versions.

Table A3.1: Fundamental or Key Legislation for the Bond Market in Viet Nam

No.	Title	Issuer	Issue Date	Effective Date
68/2014/QH13	Law on Enterprises	National Assembly	12/12/2005	01/07/2015
70/2006/QH11	Law on Securities	National Assembly	29/06/2006	01/01/2007
62/2010/QH12	Law Amending, Supplementing a Number of Articles of Law on Securities	National Assembly	24/11/2010	01/07/2011
47/2010/QH12	Law on Credit Institutions	National Assembly	16/06/2010	01/10/2011
20/2017/QH14	Law on Public Debt Management	National Assembly	23/11/2017	01/08/2018

Source: Adapted by consultants for ABMF SF1 from Hanoi Stock Exchange. <https://www.hnx.vn/en-gb/van-ban-phap-ly.html>.

Table A3.2: Decrees with Relevance for the Bond Market in Viet Nam

No.	Title	Issuer	Issue Date	Effective Date
01/2011/ND-CP	Decree on Issuance of Government Bonds, Government-Guaranteed Bonds and Local Government Bonds (in part replaced by Decree No. 95/2018/ND-CP)	PM	05/01/2011	20/02/2011
59/2011/ND-CP	Decree on Transformation of Enterprises with 100% State Capital into Joint-Stock Companies	PM	18/07/2011	05/09/2011
90/2011/ND-CP	Decree on Issuance of Corporate Bonds (replaced Decree No. 52/2006/ND-CP and Decree No. 53/2009/ND-CP)	PM	14/10/2011	01/12/2011
58/2012/ND-CP	Decree Stipulating in Detail and Guiding the Implementation of a Number of Articles Issuance of the Securities Law and the Law Amending and Supplementing a Number of Articles of Securities Law	PM	20/07/2012	15/09/2012
108/2013/ND-CP	Decree Providing for the Sanctioning of Administrative Violations in the Domains of Securities and Securities Market	PM	23/09/2013	15/11/2013
170/2013/ND-CP	Decree Amending a Number of Articles of Decree No. 26/2007/ND-CP and Detailing Implementation of Law on e-Transactions of Digital Signatures and Digital Signature Certification Service and Decree No. 106/2011/ND-CP Amending a Number of Articles of Decree No. 26/2007/ND-CP	PM	13/11/2013	01/01/2014
89/2013/ND-CP	Decree Amending Decree No. 59/2011/ND-CP on Transformation of Wholly State-Owned Enterprises into Joint-Stock Companies	PM	20/11/2013	15/01/2014
70/2014/ND-CP	Decree Detailing the Implementation of Several Provisions of the Ordinance and the Amended Ordinance on Foreign Exchange	PM	17/07/2014	05/09/2014
42/2015/ND-CP	Decree on Derivative Securities and Derivative Securities Market	PM	05/05/2015	01/07/2015
60/2015/ND-CP	Decree Amending, Supplementing Several Articles of Decree No. 58/2012/ND-CP, dated 20/07/2012, on Providing Specific Provisions for the 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	PM	26/06/2015	01/09/2015
86/2016/ND-CP	Decree on Requirements for Investment and Trading in Securities	PM	01/07/2016	01/07/2016
145/2016/ND-CP	Decree Amending Decree No. 108/2013/ND-CP, dated 23/9/2013, on Penalties for Administrative Violations against Regulations on Securities and Securities Market	PM	01/11/2016	15/12/2016
91/2018/ND-CP	Decree Regarding Grants and Management of Government Guarantee (replaced selected provisions of Decree 01/2011/ND-CP)	PM	26/06/2018	01/07/2018
93/2018/ND-CP	Decree Regarding Management of Municipal Debt	PM	30/06/2018	01/07/2018
95/2018/ND-CP	Decree Providing for Issuance, Registration, Depositing, Listing, and Trading of Government Debt Instruments on Securities Market (replaced selected provisions of Decree 01/2011/ND-CP)	PM	30/06/2018	01/07/2018

PM = Prime Minister, on behalf of the Government of Viet Nam.

Source: Adapted by consultants for ABMF SF1 from Hanoi Stock Exchange. <https://www.hnx.vn/en-gb/van-ban-phap-ly.html>.

Table A3.3: Circulars with Relevance for the Bond Market in Viet Nam

No.	Title	Issuer	Issue Date	Effective Date
100/2004/TT-BTC	Circular Guiding Value Added Tax and Enterprise Income Tax Applicable to the Securities Domain	MOF	20/10/2004	12/11/2004
72/2006/TT-BTC	Circular Amending and Supplementing the Ministry of Finance's Circular No. 100/2004/TT-BTC, dated 20 October 2004, Guiding the Application of Value Added Tax and Enterprise Income Tax in the Securities Domain	MOF	10/08/2006	07/09/2006
19/2009/TT-NHNN	Circular Guiding Foreign Exchange Controls Applicable to Trading Government Bonds Denominated in Foreign Currency issued pursuant to Decision No. 211-QD-TTg of the Prime Minister of the Government of Viet Nam, dated 13 February 2009	SBV	24/08/2009	24/08/2009
206/2009/TT-BTC	Circular Instructing the Accounting Treatment for Government Bond Repo Transactions Pursuant to Decision No. 46/2008/QD-BTC (revised in part by Circular No. 42/2015/TT-NHNN)	MOF	27/10/2009	11/12/2009
226/2010/TT-BTC	Circular Prescribing Prudential Ratios and Remedies to be Taken by Securities-Trading Institutions that Fail to Achieve these Ratios	MOF	31/12/2010	01/04/2011
74/2011/TT-BTC	Circular Guiding Securities Transactions	MOF	01/06/2011	01/08/2011
28/2011/TT-NHNN	Circular Providing Guidelines for the Purchase of Enterprise Bonds by Credit Institutions, Foreign Bank Branches	SBV	01/09/2011	01/09/2011
52/2012/TT-BTC	Circular on Disclosure of Information in the Securities Market	MOF	05/04/2012	01/06/2012
165/2012/TT-BTC	Circular Amending and Supplementing a Number of Articles of Circular No. 226/2010/TT-BTC, dated 31 December 2010, of the Ministry of Finance on the Prudential Ratio and the Handling Measures for the Securities Institutions that Fail to Achieve the Prudential Ratio	MOF	19/11/2012	01/12/2012
204/2012/TT-BTC	Circular Guiding the Dossier and Procedure for Public Offering of Securities	MOF	19/11/2012	03/01/2013
210/2012/TT/BTC	Circular Providing Guidance on the Establishment and Operation of Securities Company	MOF	30/11/2012	15/01/2013
211/2012/TT-BTC	Circular Guiding Implementation a Number of Articles of Decree No. 90/2011/ND-CP, 14 October 2011, on Issuance of Corporate Bonds	MOF	05/11/2012	20/01/2013
13/2013/TT-BTC	Circular on Supervision of Securities Transactions on the Securities Market	MOF	25/01/2013	08/03/2013
234/2012/TT-BTC	Circular to Replace Decision No. 46/2008/QD-BTC (This circular provides guidelines for the trading regime applicable to government bonds, government-guaranteed bonds, and municipal bonds.)	MOF	28/12/2012	18/03/2013
73/2013/TT-BTC	Circular Guiding in Detail a Number of Articles about Securities Listing at Decree No. 58/2012/ND-CP, dated 20 July 2012, Stipulating in Detail and Guiding the Implementation of a Number of Articles of the Law on Securities and the Law Amending and Supplementing a Number of Articles of the Law on Securities	MOF	29/05/2013	15/07/2013
10/2013/TTLT-BTP-BCA-TANDTC-VKSNDTC-BTC	Circular Guiding Application of a Number of Articles of Criminal Code on Crimes in Tax, Finance, and Securities	MOF	26/06/2013	15/08/2013
87/2013/TT-BTC	Circular Guiding e-Transactions on the Securities Market	MOF	28/06/2013	15/08/2013
111/2013/TT-BTC	Circular on the Implementation of the Law on Personal Income Tax, The Law on the Amendments to the Law on Personal Income Tax, and Decree No. 65/2013/ND-CP Elaborating a Number of Articles of the Law on Personal Income Tax and the Law on the Amendments to the Law on Personal Income Tax	MOF	15/08/2013	01/10/2013

No.	Title	Issuer	Issue Date	Effective Date
91/2013/TT-BTC	Circular Guiding the Registration of Establishment, Organization, and Operation of Viet Nam-Based Representative Offices of Foreign Securities Trading Organizations and Viet Nam-Based Branches of Foreign-Funded Management Companies	MOF	28/06/2013	01/11/2013
217/2013/TT-BTC	Circular Guiding the Sanction of Administrative Violations in Domains of Securities and Securities Market	MOF	31/12/2013	01/03/2014
05/2014/TT-NHNN	Circular Guiding the Opening and Use of Indirect Investment Capital Accounts for Conducting Foreign Indirect Investment Activities in Vietnam	SBV	12/03/2014	28/04/2014
67/2014/TT-BTC	Circular on Levels of Fees, Collection, Payment, Management, and Use of Fees at State Securities Commission	MOF	21/05/2014	10/07/2014
36/2014/TT-NHNN	Circular Stipulating Minimum Safety Limits and Ratios for Transactions Performed by Credit Institutions and Branches of Foreign Banks (replaced by Circular No. 19/2017/TT-NHNN)	SBV	20/11/2014	20/11/2014
200/2014/TT-BTC	Circular Providing Guidelines for Accounting Policies for Enterprises	MOF	22/12/2014	05/02/2015
05/2015/TT-BTC	Circular Providing Guidance on Registration, Depository, Offsetting, and Settlement of Securities	MOF	15/01/2015	15/03/2015
100/2015/TT-BTC	Circular Providing Guidelines for Municipal Bond Issuance in the Domestic Market to replace Circular No. 81/2012/TT-BTC	MOF	29/06/2015	01/08/2015
111/2015/TT-BTC	Circular Providing Guidelines for Government Bond Issuance in the Domestic Market to Replace Circular No. 17/2012/TT-BTC	MOF	28/07/2015	15/09/2015
123/2015/TT-BTC	Circular Providing Guidance on Foreign Investment Activities on Vietnam's Securities Market (replaced by Circular No. 213/2012)	MOF	18/08/2015	01/10/2015
99/2015/TT-BTC	Circular Providing Guidelines for Government-Guaranteed Bond Issuance in the Domestic Market to Replace Circular No. 34/2012/TT-BTC	MOF	06/10/2015	08/01/2016
155/2015/TT-BTC	Circular Providing Guidelines for Information Disclosure on Securities Markets	MOF	06/10/2015	01/01/2016
180/2015/TT-BTC	Circular Providing Guidelines on Registration of Securities Trading on the Trading System of Unlisted Securities	MOF	13/11/2015	01/01/2016
202/2015/TT-BTC	Circular Providing Guidelines for Listing of Securities on Stock Exchanges	MOF	18/12/2015	01/03/2016
07/2016/TT-BTC	Circular on Amendments and Supplements to Certain Articles of Circular No. 210/2012/TT-BTC, dated 30 November 2012, on Guidelines for the Establishment and Operation of Securities Companies	MOF	18/01/2016	15/03/2016
42/2015/TT-NHNN	Circular Regulating Open Market Operations	SBV	31/12/2015	30/04/2016
203/2015/TT-BTC	Circular Providing Guidelines for Trading on Securities Markets	MOF	21/12/2015	01/07/2016
06/2016/TT-NHNN	Circular Amendments and Supplements to Certain Articles of Circular No. 36/2014/TT-NHNN, dated 23 February 2014	SBV	27/05/2016	01/07/2016
11/2016/TT-BTC	Circular Providing Guidelines for Decree No. 42/2015/ND-CP, dated 5 May 2015, on Derivatives and Derivatives Markets	MOF	19/01/2016	01/07/2016
92/2016/TTLT-BTC-NHNN	Joint Circular Guiding the Issuance of Treasury Bills via the State Bank of Vietnam (replacing Circular No. 106/2012)	MOF and SBV	27/06/2016	15/08/2016
105/2016/TT-BTC	Circular Providing Guidelines for Outward Portfolio Investments by Securities Trading Organizations, Securities Investment Funds, Investment Companies, and Insurance Enterprises	MOF	29/06/2016	15/08/2016
22/2016/TT-NHNN	Circular upon the Purchase of Corporate Bonds by Credit Institutions and Branches of Foreign Banks	SBV	30/06/2016	15/08/2016

No.	Title	Issuer	Issue Date	Effective Date
242/2016/TT-BTC	Circular Regulations on Prices of Securities-Related Services Applied at Securities Trading Organizations and Commercial Banks Joining Vietnam's Securities Market	MOF	11/11/2016	01/01/2017
241/2016/TT-BTC	Circular Prescribing Rates and the Collection, Remittance, Management, and Use of Charges for Securities Operations to Be Applied at the Stock Exchanges and the Vietnam Securities Depository Center	MOF	11/11/2016	22/02/2017
22/2017/TT-BTC	Circular Guiding the Buyback of Government Bonds in the Domestic Market	MOF	15/3/2017	01/05/2017
23/2017/TT-BTC	Circular Revising and Supplementing Certain Articles of Circular No. 11/2016/TT-BTC, dated 19 January 2016, on Instructions for Certain Articles of Decree No. 42/2015/ND-CP, dated 5 May 2015, on Derivatives Securities and Derivatives Exchanges	MOF	16/03/2017	01/05/2017
46/2017/TT-BTC	Circular Guiding Settlement Activities of Government Bonds, Government-guaranteed bonds and Municipal Bonds	MOF	12/05/2017	01/08/2017
10/2017/TT-BTC	Circular Amending Circular No. 234/2012/TT-BTC, dated 28 December 2012, by the Minister of Finance on Management of Transactions in Government Bonds, Government-Backed Bonds, and Municipal Bonds	MOF	06/02/2017	01/09/2017
19/2017/TT-NHNN	Circular Amending and Supplementing a Number of Articles of Circular No. 36/2014/TT-NHNN, dated 20 November 2014, Stipulating Prudent Limits and Ratios in the Operations of Credit Institutions and Other Relevant Laws	SBV	28/12/2017	12/02/2018

MOF = Ministry of Finance, SBV = State Bank of Vietnam.

Source: Adapted by consultants for ABMF SF1 from Hanoi Stock Exchange. <https://www.hnx.vn/en-gb/van-ban-phap-ly.html>.

Table A3.4: Decisions and Regulations with Relevance for the Bond Market in Viet Nam

No.	Title	Issuer	Issue Date	Effective Date
1666/QD-NHNN	Decision on the Supplement of Government's Bonds in Foreign Currency to the List of Valuable Papers Permitted To Be Used as a Mortgage of Loans in Vietnamese Dong at the State Bank of Vietnam	SBV	16/07/2009	16/07/2009
252/QD-TTg	Decision on Approving the Strategy for Development of Vietnam's Securities Market, 2011–2020	PM	01/03/2012	01/03/2012
1826/QD-TTg	Decision Approving the Scheme on Restructuring of the Securities Market and Insurance Companies	PM	06/12/2012	06/12/2012
56/QD-UBCK	Regulation on Transfer of Securities Ownership of Public Companies Registered at the Vietnam Stock Depository but Not Yet Listed or Registered or Not Listed or Registered Transaction on the Stock Exchanges	SSC	31/01/2013	31/01/2013
366/QD-TTg	Decision on Approving the Plan on Formation and Development of Vietnam's Derivative Securities Market	PM	11/03/2014	11/03/2014
731/QD-SGDHN	Ground Rules of Bond Indices on HNX	Index Committee of HNX	30/12/2014	05/01/2015
309/QD-SGDHN	Regulation on Trading Members in Listed Market and Trading Registration Market at Hanoi Stock Exchange	HNX (approved by SSC)	27/05/2015	27/06/2015
213/QD-VSD	Regulation on Registration of Securities Transaction Code of Foreign Investor at Vietnam Securities Depository	VSD	18/12/2015	01/01/2016
606/QD-SGDHN	Regulation on Information Disclosure of Hanoi Stock Exchange	HNX (approved by SSC)	29/09/2016	29/09/2016
1191/QD-TTg	Decision Approving the Roadmap for Developing the Bond Market, 2017–2020 and Vision Toward 2030	PM	14/08/2017	14/08/2017

HNX = Hanoi Stock Exchange, PM = Prime Minister on behalf of the Government of Viet Nam, SSC = State Securities Commission, VSD = Vietnam Securities Depository.

Source: Adapted by consultants for ABMF SF1 from Hanoi Stock Exchange. <https://www.hnx.vn/en-gb/van-ban-phap-ly.html>.

Appendix 4

Glossary of Technical Terms

bidding	Term used in law and regulations to describe the function of an auction
certificate of acceptance	Document constituting approval from the SSC for public offers
credit institution	Term in law and regulations for a financial institution
depository member	Term for a member institution of VSD, i.e., securities firms and commercial banks acting as custodians
dossier	Term used to describe the documentation to be submitted for the approval of bond or note issuance
due diligence report	Here, report by underwriter on findings after verifying the information provided by the issuer in its disclosure documents
enterprise	Term used in law and regulations for a company
G-bond	Term used to denote government bonds in HNX indexes
Institutional Investors	Preliminary description of an investor class other than the broader public; not yet fully defined in law or regulations
listing registration	Term used in regulations and listing rules to describe the process of listing securities on an exchange in Viet Nam
listing organization	Term for an issuer listing securities at an exchange in Viet Nam
market maker	Term equivalent to the function of a primary dealer in other markets; organization accredited with the MOF to facilitate buying and trading in government bonds in exchange for market privileges
open market operation	Money market operated and supervised by SBV
public company	Company type according to law and regulations that requires a certain number of shareholders and imposes information disclosure obligations; not the same as a listed company
registration	Act of registering with and obtaining approval from the SSC for a public offering of securities, including debt securities; also, act of registering newly issued securities, including debt securities, with VSD to be eligible for deposit, settlement, and transfer

securities depository center	Term in law and regulations for a central securities depository
securities trading center	Term in law and regulations for an organized securities market in Viet Nam, such as a securities exchange
Securities Trading Code	Term used for investor identification code in the Viet Nam market; VSD uses the STC, e.g., to monitor foreign ownership limits in the equity market.
prospectus	Key disclosure document for (debt) securities offered in Viet Nam

Source: ADB consultants for SF1.

ASEAN+3 Bond Market Guide 2018 Viet Nam

ASEAN+3 Bond Market Guide is a comprehensive explanation of the region's bond markets. It provides information such as the history, legal and regulatory framework, specific characteristics of the market, trading and transaction (including settlement systems), and other relevant information. The ASEAN+3 Bond Market Guide 2018 Viet Nam is an outcome of the strong support and kind contributions of ASEAN+3 Bond Market Forum members and experts, particularly from Viet Nam.

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6 ADB Avenue, Mandaluyong City
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