



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

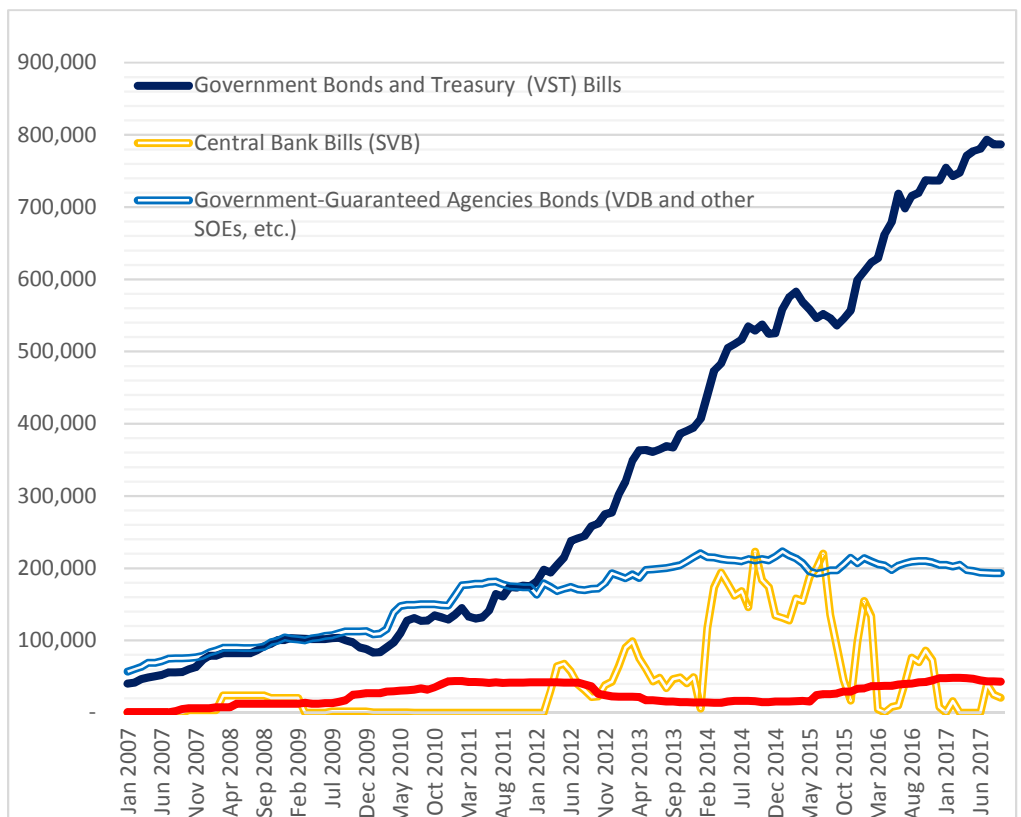
Commercial paper is an unsecured, short-term debt security issued by a corporation. Commercial paper is usually issued at a discount from par in large denominations and with maturities of either less than 270 days or 365 days; most mature within 1–2 months of issue. It is a highly liquid investment and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

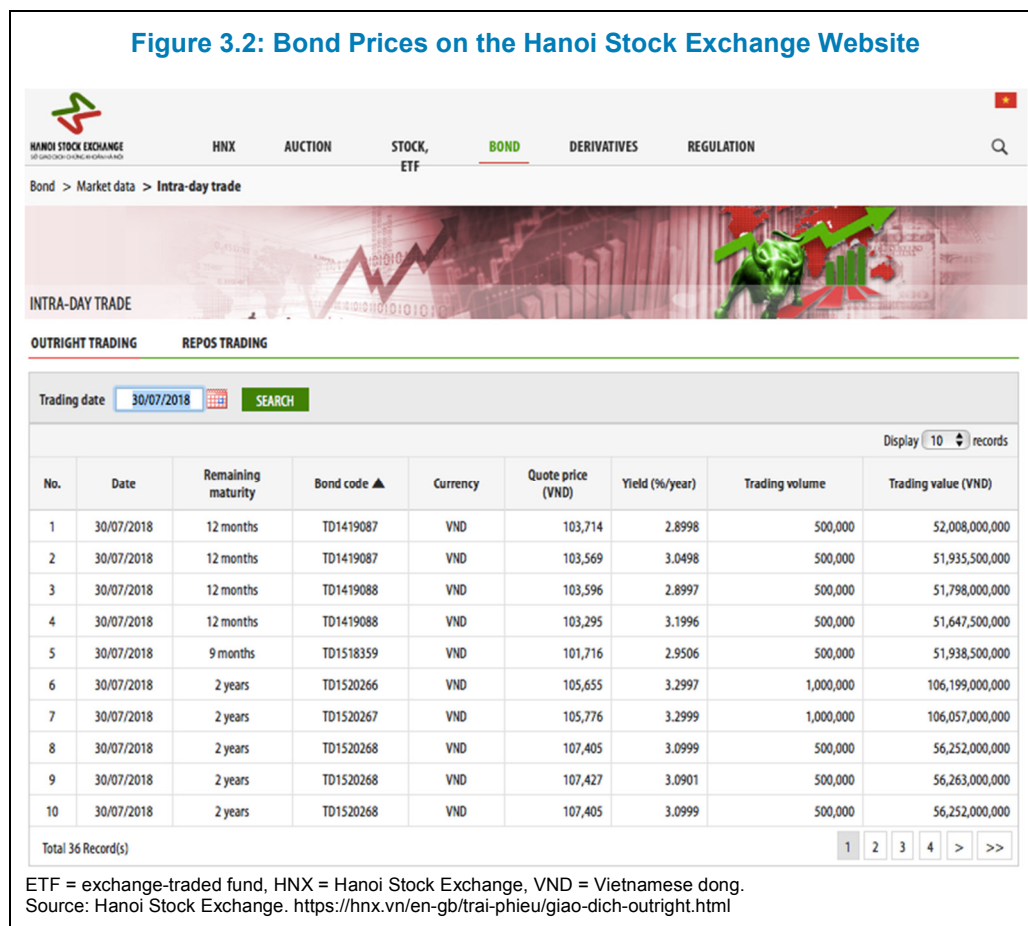
L. Bond and Note Pricing

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/QD-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.