RECOMMENDATIONS TO PROMOTE AND DEVELOP THE STOCK MARKET IN VIETNAM

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In our view, the stock market in Vietnam has been going backwards, especially when compared with other ASEAN countries. Although the State Securities Commission (SSC) has been listening to investors' concerns and trying its best to support its investors, the factors attributable to the stock market going down appear to be beyond the SSC's control and require immediate and decisive response from the Government.

- Vietnam, with a population of 91 million people, has the stock market capitalization of approximately $46 billion, being only 25% to its GDP;

- The Philippines, with a population of 99 million people, has the stock market capitalization of approximately $184 billion (4 times bigger than Vietnam), being 65% to its GDP;

- Thailand, with a population of 69 million people, has the stock market capitalization of approximately $418 billion (9 times bigger than Vietnam), being 112% to its GDP;

- Malaysia, with a population of 30 million people, has the stock market capitalization of approximately $287 billion (6 times bigger than Vietnam), being 88% to its GDP;

- Singapore, with a population of 5 million people, has the stock market capitalization of approximately $415 billion (9 times bigger than Vietnam), being 135% to its GDP; and

- Indonesia, with a population of 251 million people, has the stock market capitalization of approximately $397 billion (8 times bigger than Vietnam), being 45% to its GDP;

As a result, in our view, the current stock market of Vietnam will be unable to support the privatization process. To our knowledge, the estimated total value of the SOEs to be privatized in the next 3 years is US$25 billion. If the Government offers to sell **only** 15% of the shares, the market will need US$3.75 billion to buy those shares. Thus, the capital mobilized locally will certainly not be enough to buy the shares, and a new flow of foreign capital will be needed to purchase those shares.

However, for the period between 1 January and 19 May 2015, there was only a new foreign capital of US$5 million to Hanoi Stock Exchange and US$113.3 million to Ho Chi Minh Stock Exchange.

To promote and develop the stock market in Vietnam, we have 3 suggestions as follows:

1. PRIVATIZATION AND LISTING OF PRIVATISED SOES

We suggest that the Government take into account the following factors concerning privatization:

(a) the privatization must go together with the listing of privatized companies; and

(b) to create liquidity for the aftermarket, the privatization should be done through a global syndicate and 25-30% should be sold off.

2. INCREASING FOREIGN OWNERSHIP LIMITS

(a) For 3 years, foreign investors have been waiting for the Government to increase FOLs in public companies, and we are currently still waiting for the amended Decree 58/2012/ND-CP;

(b) To attract a new flow of foreign capital to the stock market and also to the newly privatized SOEs, Vietnam should proactively and decisively abolish the restriction of 49% foreign ownership currently applicable to public companies, and:

- apply Vietnam's WTO commitments to public companies providing services; and
- open up the stock market by removing all ownership restrictions applicable to public companies and other businesses which do not fall into the Vietnam's WTO commitments (except business lines which are subject to special conditions or related to national security).

3. CREATION OF PENSION FUNDS

We urge the Government to pass the draft Decree on pension funds quickly because:

(a) these funds will provide a significant demand for the financial market and privatization; and

(b) for the long term, pension funds will also help to reduce the pressure on the current Social Security Fund, and provide Vietnam with an advanced social security platform, being a multi-tiered system, which is well recognized to enhance benefits for employees.