

# CURRENT STATUS AND SOLUTIONS FOR DEVELOPMENT OF VIETNAM'S STOCK MARKET

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**Abstract:** *After 24 years of formation and development, the Vietnamese stock market has developed relatively strongly, but also revealed limitations and weaknesses stemming from many different causes. In this article, the author mainly assesses the current situation and focuses on proposing a number of solutions to develop the Vietnamese stock market sustainably in the coming time.*

• Keywords: stock market, number of accounts, market capitalization...

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## 1. Introduction

The stock market plays an important role in the modern economy, is an effective capital mobilization channel for businesses and creates investment opportunities for individuals and organizations. In Vietnam, the stock market has been operating for 24 years, with strong development steps since its establishment, contributing significantly to the country's economic growth. The birth of the stock market is a symbol marking a new development of the Vietnamese economy and is an important factor promoting economic development as well as the process of economic and social integration of Vietnam.

Based on the developments of the market, it can be generalized into 6 stages:

1. The stage of preparing for the formation of the stock market in Vietnam (before July 2000);
2. The initial stage of the Vietnamese stock market (2000-2005);
3. The stage of remarkable development of the Vietnamese stock market (2006-2007);
4. The stage of decline of the Vietnamese stock market (2008-2011);
5. The stage of market restructuring (2012-2020) on the basis of the Stock Market Development Strategy for the period 2011-2020 issued by the Prime Minister with Decision No. 252/QĐ-TTg dated March 1, 2012;
6. The stage of restructuring market operations towards professionalism and sustainability (Phase 2020 - 2030).

To move towards a modern, transparent and effective stock market, implementing solutions to improve the legal system, improve the quality of listed enterprises and strengthen the supervisory role of management

agencies is extremely necessary. At the same time, raising investor awareness and developing financial technology will also help the market operate more effectively. This article will analyze in depth the current situation of the Vietnamese stock market and propose solutions to promote sustainable development.

## 2. Development status of Vietnam's stock market

After 24 years of growth and development, the Vietnamese stock market has recorded major changes in both breadth and depth with a growth rate considered the fastest among the frontier and emerging markets. Specifically as follows:

- The scale of the Vietnamese stock market has grown strongly and steadily, gradually playing the role of an important medium and long-term capital channel, contributing positively to sustainable development. If in the period 2000 - 2005, the average market capitalization only reached about 1% of GDP, in the period 2006 - 2010 it reached double digits, especially in 2007 when the market exploded, reaching more than 43% of GDP and by the end of December 2024, reaching 62.5% of GDP.

- Diversifying the supply of the primary stock market and the total amount of mobilized capital is constantly increasing.

Capital mobilization activities on the stock market actually started in 2006 with 44 joint stock companies offering more than 203 million shares and by 2007, there were nearly 200 issuances by 192 companies and 4 commercial banks registered with the State Securities Commission with a total mobilized capital of nearly 40,000 billion VND. In 2008, the total mobilized capital reached only more than 14,300 billion VND through more than 100 public securities offerings. The market recovery in 2009 created favorable conditions

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for issuance activities on the stock market, especially the issuance of shares. The total capital mobilized through stock issuance in 2009 increased by more than 50% compared to 2008, reaching 21,724 billion VND. Capital mobilization through the stock market grew strongly and reached VND 151,494 billion in the period 2011 - 2015, of which VND 71,667 billion was issued to the public and VND 79,827 billion was issued to private shares. The period 2016 - 2020 reached VND 196,930 billion, of which VND 54,785 billion was issued to the public and VND 142,145 billion was issued to private shares. Bond issuance through the Stock Exchange has gradually become an important capital mobilization channel for the Government and enterprises. The outstanding balance of Government bonds (G-bonds) as of the end of 2009 was about 16.9% of GDP. The average growth rate of the government bond market in the period 2011 - 2020 reached about 22.1%/year, reaching 47.83% of GDP at the end of 2020, 6.6 times higher than in 2011. The average issuance term has also been continuously extended, in 2020 it was 13.83 years, while in 2010 it was only about 4.3 years. Corporate bonds are issued mainly in the form of private issuance, so the number of corporate bonds listed on the stock exchange is not much. Linking the equitization of state-owned enterprises (SOEs) with capital mobilization from the investing public, share auctions and listing and trading on the stock exchanges, contributing to accelerating the arrangement of the SOEs sector according to the Government's economic reform process. In the period 2011 - 2015, the successful equitization and divestment rate was only 53% but improved and remained at a relatively high level in the period after 2016 - 2019 at 68%. The average success rate for the entire period 2011 - 2020 was 61%. In the period 2016 - 2020, the total value of shares sold was 8.5 times higher; the total number of shares sold was more than 2 times higher than in the period 2011 - 2015. In 2024, the total capital mobilization in the Vietnamese stock market will reach about VND 496,052 billion. Specifically, as of November 30, 2024, public companies have mobilized VND 173,052 billion through stock and bond offerings. In the first 11 months of 2024, government bond auctions raised about VND 323,000 billion for the state budget, up 5.8% over the same period last year.

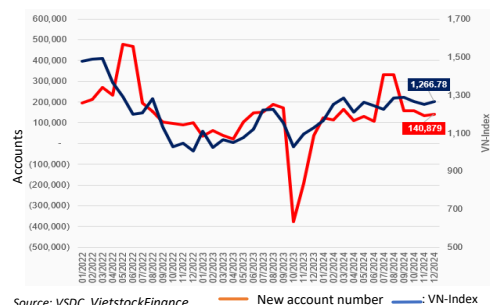
**Listed and traded securities market** In the stock market, with 02 listed companies on the Ho Chi Minh City Stock Exchange, now the Ho Chi Minh City Stock Exchange (HOSE), which came into operation in 2000, the stock market had a rapid growth in price due to the scarce supply of goods, the VN Index continuously increased and reached its peak of 571.04 points on June 25, 2001. After that, the market continuously declined during the following 3 years, before increasing strongly again at the end of 2003. In 2005, after the Hanoi Stock Exchange (HNX) came into operation, the total number

of listed companies on both markets was 44 companies with a total listed value of 4.94 trillion VND. However, in general, the period 2000 - 2005 was a period of quite quiet activity for the Vietnamese stock market. The period 2006 - 2009 also witnessed records for the Vietnamese stock market. In March 2007, stock indexes reached their highest levels since the Vietnamese stock market began operating, with the VN Index reaching 1,170.67 points and the HASTC Index reaching 459.36 points. After that, despite ups and downs, the Vietnamese stock market broke through and gradually set records throughout the 24 years of market operation. The VN Index reached a record high when it reached 1,528.57 points on January 6, 2022 (up nearly 50% compared to the end of 2020). The number of enterprises listed and registered for trading on the Stock Exchange has continuously increased, attracting more and more large-scale enterprises to participate in the stock market. The stock market capitalization scale by the end of 2020 reached nearly VND 5.3 million billion, equivalent to 84.1% of GDP in 2020, 7.3 times higher than in 2010, exceeding the target of 70% of GDP in 2020. At the end of December 2024, the total listed scale on the market had 705 stocks with a listing value of nearly VND 1,827 trillion, an increase of 9.34% compared to the end of 2023. From 2010 to present, the secondary stock market has established 3 market segments with different capital sizes: (i) HOSE is the listing market for large-scale enterprises from VND 120 billion or more; (ii) HNX is the listing market for medium and small-sized enterprises from VND 30 billion or more; (iii) the registered trading market for shares of unlisted public companies (UPCoM system). In the bond market, during the period 2000 - 2002, government bonds were the main listed commodity on HOSE with nearly 40 codes, relatively illiquid, the average trading value was also very low, with about 2% of the value of listed government bonds. In the period 2004 - 2007, the value of listed bonds compared to GDP increased significantly, up to 11.3% of GDP, many new regulations were applied such as: no limit on the holding ratio for bonds of foreign organizations and individuals; removal of price fluctuation range; negotiated transaction mechanism; shortening the payment period T+1, market liquidity also gradually increased. Recently, due to fluctuations in interest rates, the issuance of government bonds was not as expected, leading to a decrease in the listed value ratio compared to GDP and only about 10.81% at the end of 2009. However, if compared with the total outstanding outstanding bonds issued at 16.9% of GDP, there is still a large amount of bonds that have not been listed and traded on the stock exchanges. These bonds are mostly corporate bonds issued recently. Before 2006, government bonds were traded simultaneously at HOSE and HNX and since September 24, 2009, a specialized government bond trading system with

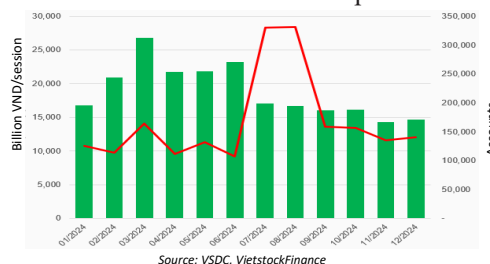
nearly 30 members, including many commercial banks and large securities companies, has officially operated. In the period 2011 - 2020, the government bond market had an average outstanding loan growth rate of about 22.1%/year, reaching 47.83% of GDP by the end of 2020, 6.6 times higher than in 2011 (exceeding the target set in Decision No. 1191/QĐ-TTg of the Prime Minister on the Roadmap for the development of the Vietnamese bond market in the period 2017 - 2020, with a vision to 2030 of 38% of GDP by 2020). By the end of 2024, the entire market will have 466 listed bond codes, with a total listed value of more than VND 2,304 trillion, an increase of 13.5% compared to 2023, equivalent to 22.5% of estimated GDP in 2023. Currently, the outstanding debt of the corporate bond market is over 15% of GDP. Meanwhile, the Financial Strategy sets a target of 20% of GDP for the corporate bond market by 2025 and at least 25% of GDP by 2030. The derivatives market has become an attractive investment channel for the market during the period of strong fluctuations in the underlying market, helping investors diversify their investment cash flow. Since its opening (August 10, 2017), the derivatives market has had 3 derivative products listed and traded, namely VN30 Index Futures Contracts, 5-year Government Bond Futures Contracts and 10-year Government Bond Futures Contracts. Trading and payment activities on the derivatives market are always guaranteed to be safe and smooth. The demand side structure is increasingly improved and growing sustainably, the number of investors participating in the stock market is increasing. The number of individual and institutional investors, domestic and foreign, is increasing: from nearly 3,000 investor accounts participating when the market first opened in 2000, by the end of December 2024, the market had added 140,879 securities accounts in December 2024, of which the increase in the number of domestic investor accounts mainly came from 140,559 individual investor accounts, while organizations had 138 more accounts. For foreign investors, there was an increase of 162 individual accounts and 20 institutional accounts, with average liquidity improving from VND 14,235 billion/session to VND 14,615 billion/session, thereby in 2024, more than 2 million securities accounts were opened, bringing the total number of accounts in the market to nearly 9.3 million, continuing the journey to reach 11 million accounts by 2030, according to the Stock Market Development Strategy to 2030 approved by the Government at the end of 2023. Number of securities accounts increased by 140,879 accounts in December.

Up to now, the total number of domestic investor securities accounts is equivalent to more than 9% of the population, which also shows that the Vietnamese stock market still has a lot of potential to attract the participation of domestic investors. However, our

investor system is not diverse, the current investment demand structure does not ensure sustainable growth. The underdeveloped institutional investor system limits the development of the stock market, especially the government bond market.



In the early stages of the stock market's development from 2000 to 2005, there were only 6 fund management companies. Up to now, the market has 43 fund management companies operating in Vietnam, with total profits increasing by nearly 40% compared to the same period in 2023, operating normally, 04 companies are in the form of restructuring. The total value of investment trust portfolios at the end of 2020 was 435 trillion VND, more than 4 times higher than in 2011 at 98 trillion VND and increased to 511 trillion VND at present.



- Regarding infrastructure organization and the system of intermediary financial institutions

Regarding market organization: market restructuring has initially overcome the lack of synchronization, but the Vietnamese stock market still has many limitations. Regarding the organizational structure, separating the Stock Exchange and VSD from the State Securities Commission helps to separate the functions of stock market management and operation. Dividing the concentrated market into two parts according to listing conditions has expanded the market and attracted businesses, but increased social costs and is not in line with the international consolidation trend. On December 23, 2020, the Prime Minister issued Decision No. 37/2020/QĐ-TTg to establish the Vietnam Stock Exchange (VNX) under the parent-subsidiary model, restructuring the HNX and HOSE to improve efficiency and competitiveness. Securities companies have also grown strongly in terms of quantity, capital scale, personnel, services and operational capacity. The number of securities companies by the end of 2024 will be 78 companies compared to 105 companies



at the end of 2010, and 83 at the end of 2022. This decrease reflects the restructuring and rearrangement of the Vietnamese stock market to improve the quality and efficiency of securities companies. According to VNX's report, the total number of securities company members approved by VNX is currently 78 securities companies, specifically: (i). Listed securities market, 78 securities companies; (ii). Debt instruments market 34 securities companies; (iii). Derivatives market is 23 securities companies. Total revenue in 2024 of member securities companies is expected to reach more than VND 23.4 trillion, an increase of 32%. This reflects the general upturn in the market. Intermediary institutions are not only growing in quantity but also improving in quality. Competition encourages these organizations to improve their operational efficiency and services. They focus on improving management capacity, applying IT, investing in modern equipment and expanding online transactions. Thanks to that, the service is increasingly diverse, transparent and meets the needs of domestic and foreign investors. It can be said that during 24 years of operation, the goals and solutions set out in the Vietnam Stock Market Development Strategy for the period 2011 - 2020 (Decision No. 252/QĐ-TTg dated March 1, 2012) have basically been achieved. Despite many challenges due to the impact of the world geopolitical situation, with flexible direction and timely policies to support the economy of the Government and the Ministry of Finance, the Vietnam Stock Market in 2024 will still maintain its growth momentum.

*In addition, Vietnam's stock market also has limitations and weaknesses, specifically:*

*First*, the legal system for Vietnam's stock market is still overlapping and lacking in synchronization, causing difficulties in implementation. Some regulations have not kept up with the development of the market, especially with new products such as derivatives and fintech. The monitoring and handling mechanism for violations is not strict, affecting transparency. The policy to attract foreign investment is still limited, not creating strong motivation for foreign capital flows.

*Second*, market information still lacks transparency and is not organized, managed and monitored in a timely manner, so the possibility of risks such as insolvency, fraud, and stock manipulation is very high. Supervision, inspection and examination activities still face many difficulties, due to increasingly sophisticated and complicated violations of the law in the market.

*Third*, products on the stock market are not really diverse and the quality of goods needs to continue to be improved. The basic stock market still focuses mainly on traditional products such as stocks and government bonds.

*Fourth*, the number of investors in the Vietnamese stock market is still low, mainly individuals (over

99%), while institutional investors account for a small proportion, affecting market efficiency. The bond market lacks long-term and professional investors. Some large foreign investors have opened accounts but have not participated, while foreign investment funds mainly invest in equitized enterprise stocks through personal trust accounts.

*Fifth*, stock prices fluctuate erratically, the stock market in recent times has not ensured sustainable development. Especially now, the psychology of investors is still unstable, which clearly shows the fluctuations of the VN stock price index - Index in recent times.

*Sixth*, the structure of the stock market is not really balanced between components and within each component. The size of the listed bond market is only equivalent to about 30% of the size of the listed stock market (this ratio in ASEAN countries is on average 47.9%). The size of the corporate bond market issued to the public is much smaller than the size of the corporate bond market issued individually. Capital mobilization activities are concentrated in the group of enterprises in the banking, real estate and securities sectors while other business sectors still account for a low proportion.

*Seventh*, facilities, technology and information technology infrastructure are still limited: the trading system is not synchronized, the ability to process orders is slow and easily overloaded when the market fluctuates strongly. Market management and monitoring technology has not kept up with international standards, making it difficult to detect and prevent unusual transactions. The payment and clearing system is not optimal, reducing operational efficiency. The application of new technologies such as blockchain and AI is still limited, not fully meeting the development needs of the market.

*Eighth*, the quality of human resources is uneven: The team of professional personnel with professional licenses, especially the quality of company leaders, is still lacking and weak in securities trading expertise as well as legal advice on business transformation. The team of personnel with high professional qualifications in asset management is not many, mainly concentrated in a few large companies.

*Ninth*, the scale of the Vietnamese stock market compared to other countries in the region is still small. The number of listed and registered enterprises is large but the scale is small and uneven. Only a few large companies have stable growth, while the majority do not represent the economy and contribute significantly to GDP. The transaction value is not commensurate with the market capitalization. The stock turnover rate of the whole market is low, averaging 41.6%, of which UPCoM only reaches 11.5%.

### 3. Some solutions for sustainable development of Vietnam's stock market

With the desire for sustainable development of Vietnam's stock market, the author recommends some solutions as follows:

**First**, continue to improve the legal framework for the Stock Exchange and securities companies.

Continue to improve decrees and documents guiding the implementation of amendments and supplements to the Securities Law in Law No. 56/2024/QH15; synchronously deploy solutions set out in the Stock Market Development Strategy to 2030 approved by the Prime Minister to promote the stock market to develop deeply and widely in a transparent and synchronous manner, ensuring the rights and legitimate interests of investors; at the same time, synchronously issue new regulations on transactions, information disclosure, listing and registration for transactions. Supplement and improve mechanisms and policies (including financial policies and tax policies) in the direction of supporting the effective development of component markets and in accordance with international standards.

**Second**, strengthen the inspection and supervision of the activities of organizations participating in the market, strictly handle violations of individuals, organizations and enterprises using the media (newspapers, news sites, etc.) to provide false information, incomplete information, and distort information. At the same time, strengthen propaganda and dissemination of knowledge about securities, the stock market and prevent risks and fraud in the market, encourage long-term investors, contributing to the stability and sustainable development of the market. In addition, it is necessary to enhance the role of the State Securities Commission (SSC) in state management of securities activities and the stock market.

**Third**, increase the supply of goods to the market, improve the quality of supply.

Strengthening the equitization of state-owned enterprises (SOEs) associated with listing to create quality goods for the stock market. Encouraging enterprises to conduct IPOs associated with listing and registering for trading on the stock market; Developing government bond products; Developing corporate bond products; Developing derivative securities products and other products.

**Fourth**, developing and diversifying the investor base. Strongly developing domestic and foreign capital supply channels for the market, expanding the system of investors, especially institutional investors; fully developing intermediary institutions; diversifying the services provided, ensuring all the elements that constitute a developed capital market in the region. Developing legal regulations to develop money market funds; Diversifying the types of public funds such as funds of funds, leveraged ETFs, etc. It is necessary to

develop a number of market-making organizations such as insurance companies and pension funds.

**Fifth**, build a coordination mechanism in managing policies related to the stock market. Macro policies that have a strong impact on the stock market are fiscal policy and monetary policy. Therefore, it is necessary to control inflation (CPI) well, this is one of the very important conditions and premises for the Vietnamese stock market to develop healthily, effectively and stably. Closely combine monetary policy and fiscal policy in macroeconomic management.

**Sixth**, develop the capital market in a modern direction, complete in structure (including concentrated stocks, OTC management market, bond market operating according to international best practices with the ability to link with regional and international markets) to enhance the image and position of Vietnam, towards upgrading the market in 2025; actively participate in international cooperation forums.

**Seventh**, modernize infrastructure, information technology and reform administrative procedures for the stock market.

Increase investment and application of information technology to organize transactions and manage and supervise the stock market; Build a system of core application software for centralized processing, synchronize applications and have management capabilities; Build a system to ensure network security and safety. In addition, it is necessary to consider eliminating administrative procedures and unnecessary licenses, but also ensure the requirements of state management for the healthy development of the stock market.

**Eighthly**, improve the quality of human resources to meet the requirements of sustainable development of the stock market. It is necessary to strengthen training of management, supervision and investors to improve the level of operation in the stock market, focusing on political qualities and professional ethics to develop a sustainable market. The State Securities Commission needs to promote streamlining the apparatus according to the Party and Government.

**Ninth**, continue to actively cooperate and learn from experiences from parties (domestic and foreign) in the process of building strategies and development to ensure the stock market operates effectively, meeting the requirements of stock market management and development according to international practices.

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