

09/20/2022 14:42:05 [BN] Bloomberg News

New Rules Mean Vietnam's Credit Market May Be in For Dry Spell

- **Government issued decree imposing new standards for bond sales**
- **Prime minister ordered crackdown on stock, bond markets**

By Nguyen Kieu Giang

(Bloomberg) -- Vietnam's corporate bond market may be in for a dry spell after the government issued new guidelines for both issuers and investors.

The rules will hold companies accountable for the use of the proceeds from new issuance, among various stipulations in a decree published on a government's website earlier this week.

They're part of the government's crackdown on financial markets that has also involved police detaining several executives as Vietnam seeks to burnish its image as an attractive destination for investment.

Vietnam's financial market is less developed than those of Southeast Asian economies such as Malaysia and Indonesia, with less offshore bond issuance. The volume of corporate bond issuance via private placement dropped 10.9% in the first seven months of this year to 262.25 trillion dong (\$11 billion), official statistics show. Real estate and construction companies constituted the biggest segment of issuers.

"We believe that while the tightening in regulations for private placements of corporate bonds could have a negative impact on activity in the corporate bond market in the short-term, it should support healthy development of the market in the long-run," according to Truc Ngo, a senior analyst at Viet Capital Securities JSC. "This should benefit companies that have a long-term strategy to conduct business in the corporate bond market."

Here are some of the highlights of the government's decree:

- The minimum face value of bonds will be raised to 100 million dong from 100,000 dong
- The purpose of the issuance must be clearly stated and disclosed to investors; capital raised must be used as stated
- A retail professional investor is newly defined as someone with a portfolio of at least 2 billion dong that contains listed and registered securities, based on the average daily market value for at least 6 consecutive months
- Companies must disclose information about the results of bond issuance to investors and the stock exchange within 5 working days instead of 10

The decree was anticipated after the Finance Ministry ordered officials to step up the review of corporate bond issuance, including to closely monitor businesses showing signs of abnormal or unregulated activities while issuing bonds under their subsidiaries.

Nine bond offerings by Tan Hoang Minh Group got canceled earlier this year for allegedly providing false data and concealing information. Police detained the company's former chairman and chief executive officer Do Anh Dung during an investigation for alleged fraudulent appropriation of property.

This report may not be modified or altered in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance LP ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BFLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg LP ("BLP"). BLP provides BFLP with all the global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice, and nothing herein shall constitute an offer of financial instruments by BFLP, BLP or their affiliates.

"Regulators are moving in the direction of strengthening the overall bond market so the market gets more balanced and transparent," said Ruchir Desai, a fund manager at Asia Frontier Capital Ltd. in Hong Kong. "The Vietnam real estate sector and the overall economy is still in the early stages of development so it's good the government recognizes that it needs to bring in some balance early in the game."

Read More:

- [Brokerage Boss Arrest Shows Mounting Crackdown in Vietnam \(1\)](#)
- [Brokerage Boss Detained as Vietnam Stock Slump Deepens \(2\)](#)
- [Vietnam to Intensify Audits of Bond Sales Amid 1H Surge](#)

--With assistance from Harry Suhartono.

To contact the reporter on this story:

Nguyen Kieu Giang in Hanoi at giang1@bloomberg.net

To contact the editors responsible for this story:

Catherine Ngai at cngai16@bloomberg.net

Catherine Bosley