

2. Seminar and Workshop

2.1. Introductory Seminar

2.1.1. Outline

- Organizer: MOF Vietnam
- Participants: SSC, SBV, banks, securities houses, insurers, donors, etc.
(about 40 participants besides organizer and presenter)
- Presenter: NRI
- Date: November 30 (Wed), 2005
- Venue: Guoman Hotel, Hanoi
- Objectives
 - (1) Explanation of this Technical Assistance on PD,
 - (2) Discussion on the rational and necessity for examining PD, and
 - (3) Sharing common understanding of PD concept with ASEAN+3 cases.

2.1.2. Program

- 09:00 *"Introduction,"* Mr. Nguyen Ba Toan, Deputy Director General, International Relations Department, MOF Vietnam
- 09:10 *"Issues on Developing of Government Bonds in Vietnam,"* Mr. Nguyen Hoang Duong, Deputy Director, Capital Market Division, Banking and Financial Institutions Department, MOF Vietnam
- 09:40 *"Introduction of PD System: Concept and Case Studies,"* Mr. Manabu Tsurutani, Sr. Consultant, Nomura Research Institute (NRI)
- 10:15 Tea break
- 10:30 *"Analytical Approach and Hypothesis,"* Mr. Kengo Mizuno, Sr. Consultant, Nomura Research Institute (NRI)
- 11:15 Comments and Discussions
- 12:00 Closing Remark

2.1.3. Comments and discussions

MOF's recognition of issues

- Size of bond market is still small, and secondary market is underdeveloped.
- There is a sort of issuance plan, but it is not a concrete one and undisclosed.
- Issuance modes are scattered. If and when PD is introduced, retail channel ought to be suspended.
- Benchmark yield curve is unavailable yet but in necessity.
- Soon after the completion of this TA by March 2006, pilot test of PD shall take place from April to December 2006. Thereafter PD shall be introduced from year 2007.

Comments from participants

- Ceiling interest rate impedes the development of bond market. PD needs to be designed to facilitate lifting the ceiling interest rate. NRI is suggested to compare carefully between ceiling interest rates of government bonds and

- deposit and lending rate of the banking sector which is rather liberalized.
- Institutional investors are subject to corporate income tax on income gains, but retail investors are not. If both parties are treated equally and fairly, then the bond market shall be further promoted.
 - Privileges of PD member shall include tax incentive, if MOF wants to impose a number of obligations.
 - DVP is already practiced in a sense that buyers are required to prepay a deposit of full amount at their securities company's account. As such, counterparty risk is minimized in Vietnam.
 - Lead-time of settlement through HCMC Securities Trading Center has recently curtailed from T+3 to T+1.
 - Still secondary trading is too little to offer the firm quotes of buying and selling prices. Even if it becomes obligatory to PD member, none of them may be able to make market under such situation. NRI may want to analyze this matter quantitatively.

2.2. Feedback Workshop

2.2.1. Outline

- Organizer: MOF Vietnam
- Participants: SSC, SBV, banks, securities houses, insures, donors, etc.
(about 60 participants besides organizer and presenter)
- Presenter: NRI
- Date: March 13 (Mon), 2006
- Venue: Hotel Nikko Hanoi
- Objectives
 - (1) Feedback of findings and suggestions by NRI
 - (2) Discussion on necessary reforms towards PD in Vietnam
 - (3) Discussion on next steps in the coming years

2.2.2. Program

- 08:30 Registration
- 09:00 Opening Remark
- 09:05 *"Introduction,"* Mr. Nguyen Hoang Duong, Deputy Director General, Banking and Financial Institutions Department, MOF Vietnam
- 09:15 *"Prerequisites for PD to Work: Lessons from ASEAN+3 Countries and Implications to Vietnam,"* Mr. Manabu Tsurutani, Sr. Consultant, Nomura Research Institute (NRI)
- 09:50 *"Findings and Suggestions for Introducing PD in Vietnam,"* Mr. Kengo Mizuno, Sr. Consultant, Nomura Research Institute (NRI)
- 10:30 Tea break
- 10:45 Open discussions
- 11:55 Closing Remark
- 12:00 Luncheon

2.2.3. Comments and discussions

MOF's recognition of issues

- The number of bidders is just a few per auction, making it very difficult for MOF to abolish ceiling interest rates. Otherwise, overpriced bidding may prevail, costing extremely high to MOF.
- Underwriting in Vietnam is unscheduled and flexible enough to negotiate with investors and intermediaries about tenure, volume, timing, etc. From the viewpoint of MOF as an issuer, administration of underwriting is much easier than organizing an auction.
- It may take several years to introduce the PD system, but anyway it is recognized as one of top priorities for MOF. Examination of PD is included in the draft Decision on orientation for development of capital markets up to 2010, which shall be promulgated in 2006.

Comments from participants

- Fee structure for securities houses is regulated by SSC, and differs between underwriting and auction. In the simplest term, the underwriting fee is double the successful auction fee, and hence securities houses are naturally interested in underwriting rather than auction.
- Most market participants may appreciate the reform of the market structure, suggested by NRI, which however MOF needs to expedite. In particular, ceiling interest rate must be abolished as soon as possible so that the market mechanism may function more precisely.
- Obligations of PD member, especially minimum bidding quotas for bidding and successful bidding, need to be studied more carefully in consideration of candidate member's capacities of absorption. It is likely to become tradeoff. The stricter the quotas are, the lesser the competition occurs. The little the quotas are, the lesser the exclusivity of privilege works.
- Investors may feel more comfortable, if MOF uses mobilized funds much more efficiently and effectively by allocating it to socially and economically profitable projects.

2.2.4. Press release

MOF Vietnam has made a press release on this feedback workshop, which has prevailed on a number of medias in Vietnamese and English. Among them, linked below is an article on the workshop by MOF itself.

"Workshop on primary dealership for government bond in Vietnam"

<http://www.mof.gov.vn/DefaultE.aspx?tabid=632&ItemID=31762>