

Forward

This is a report compiled by the Institute for International Monetary Affairs (IIMA) on “The Technical Assistance on the Establishment of the Vietnam Securities Depository” commissioned by the Ministry of Finance Japan for the FY2005 project.

The focus of the research/technical assistance (TA) was on building the infrastructure for a government bond settlement system at the Vietnam Securities Depository (VSD)--- specifically, planning a system framework and forming a legal structure --- which were pointed out as one of the major issues for the future, in the report of “Technical Assistance to Vietnam to Establish the Infrastructure of the Government Bond Market Settlement System,” commissioned by the Ministry of Finance Japan for the FY2004 project.

At the early stage, the scope was only to government bond settlement. However, it was expanded to securities in general which are traded at Securities Trading Center, including stocks because the TA team found that settlement is currently conducted by the same system in Vietnam and the establishment of IT system for settlement does not depend on the distinction of securities for Vietnam.

Various problems were discussed periodically and in a highly concentrated way over a short period of time with the Vietnamese in charge, based on the on-site research and analysis conducted at the State Securities Commission (SSC), Hanoi Securities Trading Center (HASTC), Ho Chi Minh Securities Trading Center (HOSTC) and securities market participants in Vietnam. Then the contents and the fruits of the discussions were fed back to relevant people at the workshop held at the end of each TA topic.

The process began in August 2005 and continued for eight months. From August to November, the research/TA focused on analysis on the current operational flow at the HASTC and the HOSTC. Based on the analysis, the TA team submitted a proposal for the integration of existing systems at the STCs which are going to be used temporarily until 2009 from which purely new IT system is to be introduced at the VSD.

From December to January, the TA focused on recommendation on IT system development plan for the purely new system from 2009. From February to March, TA concentrated heavily on the issue of layered system of securities account. The choice of layered system of securities account is one of the prerequisites for designing and planning of IT system at the VSD. The TA team provided general information of layered system including theoretical pros and cons and made some suggestions to Vietnam in selecting the system. This fiscal year again, the TA team continued to follow-up the draft of Securities Law which is expected to be submitted in May 2006 at National Assembly. This report reflects the whole of this process and all the discussions, which took place in the course of the TA.

The research was conducted by the specialists from IIMA with years of experience in capital

markets and working group members formed by eleven staffs from the SSC, the VSD, the HASTC and the HOSTC with the cooperation of NTT Data, an IT specialist on settlement systems.

The Ministry of Finance Japan who commissioned this research also sent their official to Vietnam to guide the direction of the research.

From November 7 to November 11, nine Government officials from State Treasury, the SSC and the VSD visited Japan to study the Japanese securities markets. The study tour was made possible by generous cooperation of the Ministry of Finance Japan (MOF), the Financial Services Agency (FSA), the Securities and Exchange Surveillance Commission (SESC), Bank of Japan (BOJ), Japan Securities Depository Center (JASDEC), Tokyo Stock Exchange (TSE), Japan Bond Trading Co., Mitsubishi UFJ Securities and Kyoto University. TA had been implemented smoothly due to the close relationship between Japan and Vietnam since that time. The IIMA would like to take this opportunity to express its appreciation to them for their cooperation and warm hospitality.

The research/TA was made possible by the generous cooperation of the Ministry of Finance Japan and the Vietnamese authorities, especially the VMOF, the SSC, the VSD and the STCs. The TA team would like to express its appreciation to them and sincerely hopes that this report will contribute to the development of the government bond market and the capital market in Vietnam. It would be a further pleasure if this report were also to play a part in the development of the settlement system in East Asia and in nurturing the bond market in the region.

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