

THE PRIME MINISTER

Ref. No.: 128/QD-TTg

THE SOCIALIST REPUBLIC OF VIETNAM
INDEPENDENCE - FREEDOM - HAPPINESS

Hanoi, 2 August 2007

DECISION
on Approval of the Development Strategy for Capital market of Vietnam
to 2010 and Vision to 2020

THE PRIME MINISTER

Pursuant to the Government Organization Law dated 25/12/2001

Pursuant to the Securities Law dated 12/07/2006

Based on the request from Ministry of Finance at the proposal No. 22/TTr-BTC dated 28/3/2007

DECIDES

Article 1: Approve the Development Strategy for Capital market of Vietnam to 2010 and vision to 2020 with the following main contents:

A. Objectives

1. General Objectives

Develop the capital market rapidly, comprehensively and stably with the securities market having the key role; step by step make the capital market to become a key component of the financial market, effectively contributing to fulfilling the fundraising task for investment, development and economic reform; ensure the publicity and transparency; maintain discipline, safety, efficiency; strengthen market regulation and supervision; protect rights and legitimate benefits of investors; step by step enhance the competitiveness and proactively integrate into the international financial market; strive for the capital market of Vietnam being at the same level of development with those of other regional countries by the year 2020.

2. Specific Objectives

Develop the capital market with diversity to meet the need for capital and investment from all participants in the economy; strive for the securities market capitalization accounting for 50% GDP by 2010 and 70% GDP by 2020.

B. View points on and principles of capital market development

1. Build and develop comprehensively the capital market structure, in which the securities market plays the key role to ensure effective mobilization and allocation of funds for investment and economic growth; coordinate closely the capital market with the money market in containing inflation, stabilizing the currency value; successfully integrate into the international capital market.

2. Build and develop the capital market with an appropriate structure to ensure the market transparency and enhance the competitiveness of institutional and individual market participants.
3. Organize and operate the capital market with safety, efficiency and healthiness; ensure the national financial security.

C. Implementing measures

1. Long-term measures

- a. Develop the capital market towards a modern one with a complete structure (of stock market, bond market, derivatives market, official market and OTC market...), operating in accordance with international best practices, linkable to international and regional markets.
- b. Develop strong capital supplying channels for the capital market both domestically and overseas; expand the investor base especially institutional investors; develop sufficient financial intermediaries; diversify services provided to customers ... to ensure formation of sufficient components of a developed capital market in the region.
- c. Coordinate closely monetary policy with fiscal policy; harmonize the fundraising objective for economic growth and sustainable development of the capital market with macro-economic stability, inflation containment and national financial security.
- d. Improve the state regulation; effectively perform the function of inspecting and supervising on the compliance with laws and regulations of institutions and individuals participating in the market.

2. Short-term measure

- a. Develop the market size, improve quality and diversify products to meet the market needs:
 - Extend the scale and diversify types of bonds, methods to issue Government bonds, local government bonds and corporate bonds in the capital market; encourage corporate convertible bonds, project bonds for investment in important infrastructure projects of the country;
 - Speed up the equitization program of state-owned enterprises, corporations, economic groups and commercial banks, combining equitization with listing on the stock exchange; extend the issuance of new shares to mobilize capital in the market. Qualified equitized enterprises must be listed on the Stock Exchange; review and continue selling state capital at the state-owned enterprises where the State need not hold a part or majority of shares at the same time; transform foreign invested enterprises into corporations with their share listed and traded on the Stock Exchange;
 - Develop derivatives such as: options, futures, forwards, combined products (securities – insurance, securities – credit, saving – securities...) and products from securitization of assets and debts ...
- b. Progressively complete the capital market structure and ensure the regulatory and supervisory capacity of the State:

- Separate the bond market from the stock market to form a specialized bond market; Gradually study to establish and develop the future market, derivatives market, market for securitization of medium and long-term loans...;
 - Develop the capital market with different classes to meet the needs for share issuing, listing and trading of various types of companies and ensure the regulatory and supervisory capacity of the State in the orientation of separating the official market, the OTC market and the market for share issuing and trading of small and medium enterprises;
 - Transform the Securities Trading Centre into the Stock Exchange operating as a company in accordance with the Securities Law. Securities Trading Centre and Stock Exchange will perform the function of organizing and supervising official trading; comprehensively upgrade technical infrastructure of the market to ensure the connectivity with other regional markets.
 - Organize the OTC market towards a regulated market by implementing measures such as: centralize share registration and depository for the qualified stocks in accordance with the Securities Law; develop trading rules for unqualified-for-listing stocks based on negotiation at securities firms; centralize settlement and transfer of official securities transactions at the Depository Center; at the same time establish the supervisory mechanism for disclosure of trading information to improve the publicity and transparency in the market, ensure the State regulation and supervision on securities transactions, constrain the flea-market activities.
- c. Develop financial intermediaries and market services:
- Increase a reasonable number of; enhance performance and financial position of securities firms, fund management companies, securities investment companies...; diversify services provided in the market; enhance the specification and quality of services; ensure the publicity, transparency and fairness in the market.
 - Extend the scope of activities of the Securities Depository Center; apply international depository practices; link settlements in the capital market with those in the monetary market.
 - Step by step form the market for credit rating in Vietnam; allow eligible credit rating agencies to establish in Vietnam and some prestigious foreign credit rating agencies to operate in Vietnam.
- d. Develop investor base domestically and overseas:
- Encourage professional institutional investors (banks, securities firms, insurance companies ...) to participate in the market in accordance with laws and regulations; implement the roadmap to open the Vietnamese market to foreign professional investors as committed;
 - Diversify types of investment funds; facilitate Social Insurance, Postal Saving ... to participate in the capital market; step by step develop and diversify pension funds to collect the people's funds for investment; encourage establishment of investment funds overseas to invest long-term in Vietnam.

- e. Complete the legal framework, enhance the effectiveness and enforcement of the State regulation and supervision:
- Complete the legal framework in a consistent and comprehensive manner to meet the regulatory and supervisory needs and requirements for integration into the regional and international capital market;
 - Supplement civil and criminal strict enforcement measures to prevent and deal with violations in the capital market;
 - Develop and complete tax, fee and charge regimes for securities activities, encourage long-term investment, restrict short-term investment; moderate profits gained from securities business and at the same time, contribute to supervising market activities and participants (including foreign and local investors) via tax, fee and fee instruments.
 - Apply international supervisory practices and standards; promote supervision and examination on the compliance with laws and regulations of market participants; examine and supervise products provided in the market to ensure the publicity and transparency; enhance supervisory and enforcement capacity of the market supervisory authority;
 - Strengthen the apparatus and enhance regulatory and supervisory capacity of the State on the capital market; step by step separate regulatory function from supervisory function on market activities; Study to establish the National Agency for Financial Supervision early to assist the Prime Minister in coordinating policies and warning instruments, governing and supervising financial and monetary activities at the macro level.
- f. Proactively open the door and integrate into the regional and international market:
- Step by step open the capital market to foreign investors in accordance with the committed integration roadmap and ensure the control over capital flows at the same time; extend international cooperation in policy advice, legal consultation and market development;
 - Promote training and human resource development for the capital market; encourage popularization of knowledge on capital market, securities market for the public, enterprises and economic institutions.
- g. Ensure the national financial security: well performed on supervision of capital transactions; impose close capital controls on capital flows; prepare appropriate measures in the required situations in order to reduce pressure on foreign exchange rate and prevent the threat of market distortion and crisis. These measures shall be stipulated in legal documents and announced to investors and only applied in the existence of threats on the financial system security; impose special supervision on ailing financial institutions to minimize the adverse effects which can be contagious for the whole system.

Article 2: Implementation

Ministry of Finance shall presides over and coodinates with other Ministries, Ministry-level Organizations, Government Bodies, the People's Committees at provinces, central cities to implement this Decision.

Article 3: This Decision shall take effect 15 days after its publication in the Official Gazette and substitute for the Decision No. 163/2003/QD-TTg dated 5/8/2003 of the Prime Minister on approval of the Development Strategy for Capital market of Vietnam to 2010.

Article 4: Ministers, Heads of Ministry-level Organizations, Government Bodies, Chairman of the People's Committees at provinces, central cities and Heads of related organizations shall assume responsibilities for implementation of this Decision./.

THE PRIME MINISTER

Signed

Nguyen Tan Dung