# EQUITIZATION SHOULD BE SUITABLE TO THE STOCK MARKET LAWS

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After equitization, stocks of equitized state companies are sold at their face value as stated in the Decision 529-TC/QĐ-TCDN (section 3 of Part II) made by the Ministry of Finance on July 7,1997: "Total face value of stocks should be equal to the capital that has been subscribed by its members and stated in share certificates and the list of shareholders as required by the Companies Law, Point 4, Article 32." Under the market mechanism, all exchanges are based on parity of prices, that is, the price of capital deposited with a company (dividend) and of money deposited with a bank (deposit interest) should be equal to each other if one wants to change from this kind of investment to the other. This law means that stocks issued by different companies should be sold at different prices. In other words, stocks should be sold by tender. They couldn't be sold at their face value when they could yield interest of different rates for their holders.

This decision on the sale of stocks at their face value follows the thinking way under the centrally-planned mechanism and pays no attention to the market economic laws with the result that it leads to malpractices when selling stocks. In equitized companies that pay dividend of 1 -2% per month, only persons with good relations could buy shares or stocks. Another bad consequence is the imbalance between the supply of, and demand for, stocks on the future stock market. Holders of shares that yield good dividend will refuse to sell them because they know they couldn't earn such profit by depositing proceeds from the sale of shares with banks. This means that when two stock transaction centers come into operation, only a handful of traders come there to do their business. The secondary market will be stagnant because no price is accepted by both the buyer and seller. The business will be brisk when the price of stock is equal to the bank interest.

Big differences between the price demanded by the seller and the bank interest will make it difficult to conduct transaction on the stock market. It's regrettable that the rise in prices of stocks will bring profit to the seller of stocks instead of the equitized companies. Thus, the objective of the equitization of state companies (to increase share capital of the company) isn't fully achieved.

When the two stock transaction centers come into operation, privately-run companies can sell their stocks at market prices if their track record is good enough. The Asia Commercial Bank for example, has been able to sell its shares with face value of VND1 million for VND1.5 million to a Vietnamese and VND2.1 million to a foreigner, because this bank could pay annual dividend of 36%. The difference between the face value and market price of their shares is totally in its favor. However, a state company, after equitization, isn't allowed to sell its shares or stocks at the market price regardless of its public image or profitability.

So we hope that the regulation set by the above-mentioned Decision will be adjusted with a view to making it more suitable to the market economic laws. The financial authorities will have to bear full responsibility for the loss of profit that equitized companies with good track record deserve to gain if what should be done isn't done on time■