

Disclosure of Information on the Vietnamese Stock Markets

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1. Information disclosure in Vietnam

The disclosure of information on the stock markets is stipulated by Decree 144/NĐ-CP and Circular 57/2004/TT -BTC. This act is important to both investors and shareholders but not all companies paid full attention to this task. Many companies, after listing, have no department responsible for the information service. This situation has led to unexpected fluctuations in prices of securities that were beyond control and check by stock exchange authorities. Moreover, the said decree and circular, and the Securities Act as well, say nothing about the information disclosure by unlisted companies. There are close relations between the official and OTC markets, and rumors on the latter could affect prices on the former. Recent changes in the stock market proved this argument.

The Vietnamese stock market is still in its first stage of development and efficiency of information service is low. Our survey of independence of profitability ratio of securities over times shows that they are independent from each other because information comes to the market accidentally and prices of securities adjust themselves to pieces of information. We have studied various cases and concluded that few securities on the local stock market reflect this feature. This means that the prices of securities reflect asymmetric information. This situation forces us to think of insider trade and many questions, such as the protection for investors against asymmetric information, punishment for those who reveal confidential informa-

tion and the role of the government in dealing with asymmetric information.

2. A system for information disclosure in Vietnam

As we know, the information disclosure is inevitable in ensuring trust and equality for investors in the stock market. This is also the principle of transparency that is considered as the most important of the stock market. We can see that the stock market couldn't operate well without a standardized system for information disclosure.

Although the Vietnamese stock market is small and less developed, many regulations about the information disclosure have been made with a view to ensuring transparency of information and trust of investors.

Regarding forms and quality of information disclosed, the flow of information from organizations issuing and trading in securities includes mainly documents of various kinds because of lack of electronic connections between them. Meanwhile, the information from the stock market is of poor diversity and quality. Processing and publicizing information is time-consuming. Regarding the stock market as a whole, it lacks a central database and a mechanism for disseminating information to all participants in the markets, from issuers to traders in securities and the mass media. In the near future when the stock market expands, the current information service of the market will fail to play well its role because the task of processing information will cost it a lot of time. In this article, I want to suggest a solution in

which a XML-based system of information disclosure.

At present, the listed companies have to submit contents of information disclosed (such as annual financial statements) to the Vietnamese Stock Exchange Commission in written documents. Each company has its own digitally process of its information and uses different editing tools because they are only required to send documents. At the Stock Exchange, the information is entered manually into the system before being processed. The check of these documents will also be done manually. This practice consumes a lot of labor and time so it won't be disclosed timely as expected. The tasks by the Stock Exchange must be computerized with a view to disclosing the information quickly to the public and investors as well.

Movements of flows of information could be described as the following:

- Information from listed companies: A data entering device is installed at the listed company. It will enter data automatically, detect faults and send it to the Stock Exchange. Listed companies use this device to send disclosed information to the system. It can check input information and turn it into XML format. Click at "send," the information will be sent to the Stock Exchange. This system is safe because the information is codified before sending.

At the Stock Exchange, the information in the XML format is handled by the text processing system Meridio installed in the Stock Exchange.

- Output information: The Meridio system is specialized in

managing texts and documents with the following functions:

- + Disclosed information for the press will be processed quickly and sent to media agencies. Because it is in the XML format, the media agencies can edit and use it easily. In addition, the text processing system could help with searching disclosed information by gathering file with XML in their names.

- + Disclosed information for investors will be turn into the HTML format and posted on the website of the Stock Exchange where investors could view at any time.

In the above figure, the department of mass media is the press room run by the Stock Exchange while subsidiary media means all outside press agencies that receive information from the Stock Exchange.

This model achieves advantages in terms of speed, flow of information and efficiency:

- Checking, fault detecting and data entering are done automatically instead of manually.

- Processing immediately and producing digital data from input information, and supplying it to the mass media and other users are carried out quickly. The information is in a convenient format so the users could edit and process at will.

- Disclosed information is available for investors on the Internet.

Design and building of this system, however, is costly under current conditions in Vietnam. Available sources of finance and local IT community must be mobilized to develop it. In the first stage, full attention must be paid to the most time-consuming tasks of the information-disclosing process. In addition, the design must be open enough to allow adjustments to new requirements. For the time being, efforts must be made to link the Stock Ex-

change with listed companies and brokerage firms because this is one of the most time-consuming jobs in data processing.

The development of the digital system of information disclosure could be seen as part of the program to build the e-government. The system will help standardize technical issues and create smooth exchange of information between stock market authorities and other governmental bodies, thereby enhancing the control over disclosed information.

3. Forms and contents of disclosed information

- A credit agency must be established as soon as possible in order to supply the rating of financial instruments on the market that serves as a basis for decisions on investment. The credit agency also helps brokerage firms provide their clients with better advices.

- Cooperation with the press must be established to disseminate information about the stock market to the public, especially the investing community. This will be an effective channel of information that ensures both transparency and accessibility. The authorities had better cooperate with the press to carry stories about the stock market and disseminate knowledge about securities and financial investment. This must be a long-term and continuous effort.

- A mechanism for supervising the disclosure of information is also much needed. At present, there is no agency or governmental body responsible for supervising and ensuring quality of disclosed information. In such a situation, leaks of information and appearance of inexact information are inevitable. This usually leads to rumors, distortion of facts and wild exaggeration because most local investors lack expertise and therefore they are vulnerable to rumors. ■

Figure 1: Information disclosure on the Vietnamese Stock Exchange

