



A YEAR OF NOTICEABLE EVENTS IN THE HCMC STOCK EXCHANGE

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The Vietnamese stock exchange showed signs of a firm, although not strong, recovery in 2009, partly because of encouraging signals from both domestic and foreign markets, the government stimulus package, and restoration of investors' trust in the market against challenges caused by the global financial crisis. Changes in the market were reflected extensively and intensively by activities on the HoSE, the Vietnam's biggest securities trading center. Particularly, proactive and active activities of the HoSE helped change the face of the market and bring about achievements of the Vietnam stock exchange in 2009.

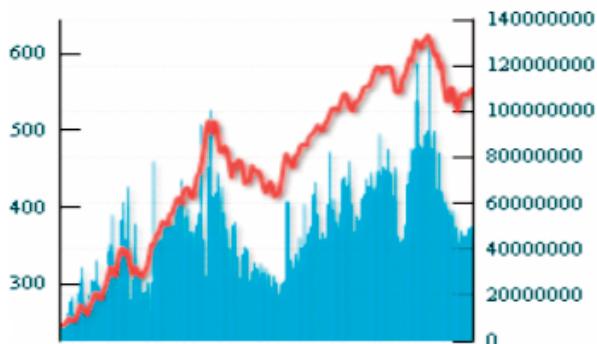
1. Resurgence of the VN Index

Affected badly by the global financial crisis and recession of the domestic market, the Vietnam stock exchange couldn't re-thrive remarkably in the first quarter. The VN Index experienced continuous falls, from 313.34 in the first trading session of the year to the lowest level of 235.5 points in the session on Feb. 24, 2009.

From April on, however, the VN Index tended to rise steadily. Signs of recovery of the American economy and of various stock exchanges all over the world, and macroeconomic stability in Vietnam improved the situation of the Vietnamese stock market.

In June in particular, the stock exchange experienced quick recovery of the VN Index over many successive sessions. It topped the 500-point mark and established a new peak for the first half of the year of 512.46 points; some 270 point higher than the bottom level in February. Another record was also reported in the session on June 10 when over 100 million stocks worth some VND3,500 were traded. Sessions with some VND2,000 billion worth of stocks traded became common in this period.

Figure 1: Changes in the VN index in 2009



Source: HoSE

And it was not the highest peak, the VN Index in the third quarter, after some slight fluctuations, kept increasing. On Oct. 22, 2009 it rose to its highest peak: 624.1 points increasing by 165% over the February lowest level. Trading volume and value also established continuously new records: In two sessions on Oct. 15 and 23, the trading volume rose from 107 million to 137 million securities and their values were over VND5,600 billion and 6,452 billion respectively. These record data reflected investors' trust and expectation in the recovery of the market.

2. Online trading in the HoSE

2009 was the second year the HoSE operated all functions of a stock exchange as a company. This change in its operation model helped the HoSE become more proactive and autonomous in modernization of informatics facilities – a factor considered as a foundation for its development at a higher level. Result of its effort materialized on Jan. 12, 2009 when the modern model of online transaction was carried successfully in the HoSE. This could be seen as a breakthrough in nine years of development of the HoSE in particular and of the Vietnamese stock market in general.

The online transaction marked a radical change in the trading process that improves efficiency of order entering and realizing and solves the bottle neck in order handling, and bridges the technological gap between the HoSE and regional and international stock exchanges. The order sending rate comes up to 50 – 70 orders per second, much higher than the rate of entering the order manually (5 to 7 seconds per order). Capac-

ity of the system was also enhanced to handle some 900,000 order every day and match some 600,000 orders a day, thereby satisfying the investors' demand. The highest number of orders handled after the online system was introduced was 144,339 in one session, much higher than the old record of 54,106 orders in a session.

The online transaction system also helps reduce the once-widespread violations of rules of order handling by brokerage firms. In the first 10 months of 2009 for example, only 68 cases of orders canceling during time order matching were handled as compared with 160 cases in the same period in 2008.

Successful technological innovations in the HoSE come from the uniform application of new technology to all member firms. The number of member firms has increased steadily. Up to Nov. 4, 2009, this figure was 97 ones whose total chartered capital was VND21,910 billion. It's expected that this figure will amount to 100 by December 2009. Thus the HoSE membership in 2009 increased 14 over 2008. Of these members, 92 ones took part in online transaction and other four are preparing to connect to the system. It's predicted that all members will join the system by the year's end.

3. Wider range of transaction

Up to Nov. 19, 2009, the HoSE held successfully 221 trading sessions in which 9.68 billion stocks capitalized at VND375,277 billion were traded making an increase of 300% in volume and 280% in value compared with those realized in 2008. The most common commodity was shares: They accounted for 97.49% of the value traded, followed by fund certificates 1.75% and bonds 0.76%. The market liquidity was improved remarkably with the average trading volume amounting to 43 million securities per session and an average trading volume of VND1,636 billion. Particularly, the stock market in this period witnessed high increases in the flow of capital from local investors while participation of foreign investors seemed tentative. Foreign investors accounted for only 6.3% of bought volume equaling 7.9% of bought value; and 6.4% of the sold volume equaling 7.6% of the sold value. Their transactions in 2009 equaled some 40% of the volume they traded in 2008.

Table 1: Volume and value traded in 2009

Month	Orders matched		Orders agreed upon	
	Volume (security)	Value (VND bln.)	Volume (security)	Value (VND bln.)
November	589,527,410	28,162.44	34,386,391	1,846.19
October	1,620,619,550	81,792.02	67,975,112	3,894.97
September	1,365,131,170	66,198,655	28,612.72	1,652.57
August	1,052,763,080	42,420.71	35,788,372	2,346.70
July	705,398,790	26,775.98	42,091,097	1,650.32
June	1,053,445,480	40,948.81	36,125,360	1,445.72
May	936,205,490	28,557.11	23,652,611	711.667
April	662,642,560	16,583.63	29,849,184	800.395
March	367,209,940	7,487.89	19,890,465	455.626
February	146,673,880	2,947.67	10,244,341	280,670
January	104,916,120	2,583.83	7,684,095	244,327

Source: HoSE

4. Satisfactory listing

The most momentous happening about the listing in the HoSE in 2009 was removal of some listed companies. As required by Official Correspondence 163/UBCK – PTTH dated Feb. 10, 2009 from the State Commission of Securities about handling of companies that fail to meet listing requirements set by Decree 14/2007/ND9-CP, the HoSE made a list and completed delisting procedures for removing 23 companies whose capital was smaller than VND 80 billion and helped them list their shares in the Hà Nội Stock Exchange as from May 28, 2009. This decision was part of the plan carried out by Ministry of Finance and the State Commission of Securities to restructure the Vietnamese stock market with a view to classifying listed companies based on standards set for each exchange in which the HoSE is considered as a floor for blue chip stocks and has more demanding listing requirements as compared with the Hà Nội one.

This delisting didn't affect the supply of commodities to the stock market. On the contrary, it proved quality of commodities listed on the HoSE. Moreover, the number of companies listed on this exchange increased remarkably in 2009, which provided the market with more sources of commodities. Up to In 2009, up to November 6, 36

companies were listed on the exchange compared with the number of 32 companies listed in 2008. Three of these newly listed ones were major players in the financial field: Bảo Việt (Vietnam Insurance), Vietnam Bank for Foreign Trade and Vietnam Bank for Industry and Trade. Their capitalized assets account for 21.5% of the value of the stock exchange.

When the stock market in particular, and the whole economy as well, still faces many difficulties and challenges, the increase in the listing was an encouraging result for efforts made by the HoSE to promote its business and attract more important players with a view to increasing the supply of commodities. In 2009, the HoSE leadership tried its best to introduce the IPO procedures to major public companies and list shares of public companies on their offices in big cities, such as HCMC and Hà Nội, and many provinces in Central Vietnam and Western South.

Up to early November, 181 kinds of shares, 65 bonds (60 municipal and five corporate ones), and four fund certificates were listed for trade on the HoSE. The total listed face value of the whole market amounted to VND109,871 billion increasing by 45.8% compared with that recorded on Dec. 29, 2008. Of this value, the listed shares were worth VND92,858 billion increasing by 62.3% over

the same period. Proportion of the listed shares in the total value of the exchange rose from 38.4% in 2007 to 75.92% in late 2008 and 84.5% on Nov. 6, 2009.

5. Broader international cooperation

In its nine years of development, the HoSE has tried its best to promote international cooperation thereby improving its position and prestige in the world playing field. Particularly, after it was developed from a securities trading center into a stock exchange in July 2007, the HoSE had the same status as foreign stock exchanges, which encouraged it to integrate more actively into regional and international stock markets. On Oct. 5, 2009, the HoSE officially became a correspondent of the WFE, the trade association of 53 publicly regulated stock, futures and options exchanges. One year before, in April 2008, the HoSE officially joined the AOSEF, and in October 2009, it signed MoU with five stock exchanges in the ASEAN bloc within the framework of a project to build a joint website on securities trading.

These facts marked incessant efforts by the HoSE to develop the exchange and integrate more fully into regional and international stock markets.

6. On directions of development of the stock market and HoSE in future

The stock market in Vietnam has long been considered as an effective and important channel of capital needed for economic activities. After nine years of development, the Vietnamese stock market has made good progress in terms of sizes of its transactions, listing and membership. However, its commodities and services are not diverse, its professionalism is not high, and many factors

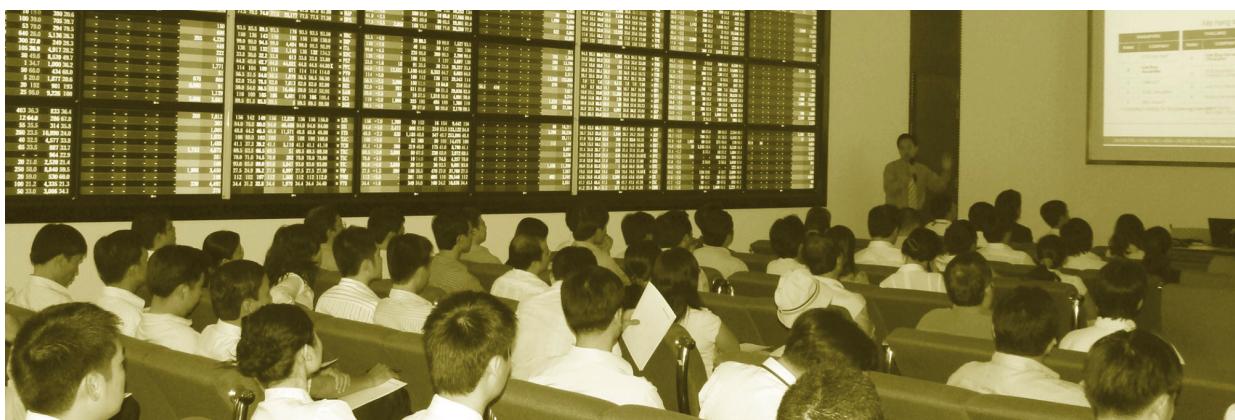
needed for its sustainable development are still lacking. So the stock market, in future, should develop more intensively, enhance its liquidity and sustainability; and at the same time, make the best use of domestic resources to make the demand for securities steadier, more sustainable and professional in order to ensure the ability to deal quickly and flexibly with fluctuations at home and abroad.

Based on general directions of development of the Vietnamese stock market in the new period, the HoSE plans to carry out the following operations in 2010 and the next ones:

a. Diversifying, expanding the size and enhancing the quality of commodities and services supplied on the exchange:

Besides playing a role as market supervising agency, the HoSE also operates as a supplier of commodities and services on the market therefore it pays full attention to the task of generating sources of high-quality commodities for the market. In 2010, the HoSE will keep carrying out marketing operations to persuade major companies, mainly state-owned corporations and companies, to go public and list their shares, and hold auctions of shares on the exchange.

In addition to development of sources of commodities, the HoSE will develop new services and products by carrying out a project to build a market for derivatives, making studies and learning experience of developing the derivative market from some foreign stock exchanges and disseminating such knowledge among exchange members. The HoSE will look for partners to start a project to build a new set of indexes according to groups of industries appropriate to the market demand, thereby creating a basis for development of deriv-



atives and investment funds.

b. Perfecting facilities and infrastructure:

The HoSE will keep accelerating the online trading with member firms, and ensure safety for the trading system with a view to launch a project to extend the trading session to the afternoon. Considering the information technology as a springboard for further development, the HoSE will purchase new trading systems, including the transaction and supervision system, depository, registration and clearing systems in order to serve effectively and timely the whole market at a larger scale.

c. Beefing up the risk management and crisis prevention:

To ensure a smooth and safe operation of the market and prevent violations of trading regulations, the HoSE will apply supervising methods of international standards; enhance the ability of member firms and listed companies to observe regulations by building sets of criteria for warning financial strength of brokerage firms, criteria for estimating the management of listed companies, and criteria for warning unusual transactions. At the same time, the HoSE will perfect its database and carry out the project to build an extra database in the Quang Trung Software Park in case of loss of data.

d. Development of investor base and improvement in marketing ability:

In the coming years, to make information available for investors, the HoSE will hold investment fairs, securities contests, road-show, and domestic and international workshops to disseminate regulations and rules of securities and stock exchange, especially rules of listing and

transactions on the HoSE. In addition, the HoSE keeps organizing meetings with investors, brokerage firms, listed companies and stock analysts in order to update information about financial strength of the listed companies in a fast and effective manner.

e. Better competitiveness and proactive integration into the world finance market:

To promote the public image of the HoSE on the world market, the HoSE will beef up its international cooperation, exchange MoUs with Mongolia, Canada and Australia, take part in conferences and workshops held by ASEAN exchanges, AOSEF and WFE, and visit and learn experience from exchanges in South Korea, Tokyo, Taiwan, and Shenzhen.

In addition, the HoSE will cooperate with ASEAN exchanges to carry out the project to link transactions among the six exchanges with a view to consolidating presence and competition of the regional capital market in the world finance.

In 2010, the HoSE will try its best to achieve target set for its first 10 years, thereby creating a basis for further developments in next period. Its comprehensive objective in all operations is to direct and help the market operate safely, smoothly and effectively, win trust from investing community, and attract more investments and transactions with a view to bridging the gap between Vietnamese and foreign exchanges■

