

In the socialist-oriented market economy under the State administration, a capital market is required to take shape and develop and the most important factor is to create legal infrastructures for the formation of the stock market.

1. Legal infrastructures and necessity for the stock market

In the world, the stock market came into being hundreds of years ago. It experienced many stages of development as well as ups and downs. For the moment, the stock market has boomed in developed countries such as the US, Japan, the UK, France, Germany, etc. In the meantime it has operated in 50 developing countries including ASEAN ones.

In Vietnam, the stock market was mapped out by French 60 years ago. Until early years of the 1970s,

REQUIREMENTS AND MEASURES TO ESTABLISH THE STOCK MARKET IN VIETNAM

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the former Saigon government continued this project by issuing a decree on setting up the stock market and planned to open a securities exchange called Saigon Stock Market.

However due to various reasons and the liberation of South Vietnam, this market did not come true.

Until the 1990s when the Party and the Government launched their *đổi mới* policy to change the centrally planned economy into the market-oriented one, many economists and organizations presented the necessity for the stock market in Vietnam. But there were two opposite opinions on the establishment of the stock market. One took sides with soon setting up the

stock market, another said the birth of the stock market was hasty and subjectively forced.

Therefore, there are many questions that relevant authorities need to clarify and take careful steps in the process of forming the stock market.

In the past ten years, Vietnam's economy scored significant achievements. The eight Party Congress (June 1996) carried on affirming the market-oriented economy under the socialist orientation with a view to industrializing and modernizing the country. The establishment of the capital market is thus an objective must to meet requirements of socioeconomic development.

The stock market is a basic element of a multisectoral economy. That is a place gathering and distributing capital effectively to all economic sectors, mobilizing all sources of capital and attracting idle money from individuals and organizations to development investments.

To set up the stock market in the condition of the country's high growth rate is one of great advocations and policies of the Government to gain investment capital for the national industrialization and modernization.

In our country, preparatory work has been urgently carried out, based on the current legal frame. It has also focused on the dealing in secu-

rities and the regulations on the stock issue, dealing, payment, registration and transfer...These legal documents should be perfected and based on current laws such as Commerce, Business and Banking Laws. They must be suited to current socio-economic conditions and international practice.

2. Securities and operations of the stock market

In my opinions, our country has not yet had any practical experience of this market although it have studied, discussed and learned many foreign lessons.

As a result, we should reach a consensus on securities and the stock market.

Securities are generally investments, and esp. stocks, shares and bonds which are bought as investments. They include mainly two kinds:

- Share: is also indicated as certificates of investment. Ownership of share gives the owner, called a shareholder, the right to receive a share in the profits of the company and to share in its management. Share can be bought and sold on a stock exchange.

- Bond is a formal document promising to pay a sum of money or acknowledging the existence of a debt. It also determines an interest rate and a term of payment.

These two forms lead to the biggest shortcoming of stock that the stock owners cannot freely recover their money when the economy shows bad signs or cannot invest in other companies for more profits.

Therefore, the owners want to sell their securities in a convenient place. There are also people wanting to gain profits by investing their money in a certain company, that is to buy securities of that company. These people, buyers and sellers, will meet on the stock market, that is a must in a market economy.

Through experience of stock markets in the world, we easily see the stock market operations involve many organizations and individuals. They are brokers, speculators, and stock managers. They all work in the stock exchange to secure the dealing is implemented in order and accordance with fixed rules.

The stock market include primary and secondary ones

- Primary market: is a market where original issues of securities are offered for sale with a view to increasing the country's total invest-

ment. On this market, main operations are selling and buying securities for the first time.

- Secondary market: is a market where investors purchase existing securities, including mortgages and other loans, repackaged for sale to parties other than the original investors. It is the securities exchange. Stock dealers work mainly on this market.

The stock market also complies with laws of the market economy, including law of prices that depends upon political and socio-economical factors and domestic and foreign changes, and so on. Prices of securities are also in line with the supply-demand relation. The value of securities is much bigger than that of other commodities. So, this market is always so bustling and has great impact on socio-economic life. Just because of this, it is regarded as a thermometer to measure ups and downs of the economy.

3. Some state management measures to boost the establishment of the stock market

The stock market has many advantages to boost economic growth by attracting investment capital effectively. However, it also contains many defects which may cause unexpected damage to the economy. So the state management is a necessary factor to rectify relations, create legal frame, improve advantages and hedge risks of the market. The conditions to set up the stock market include facilities, staff, material and technical bases such as accounting system, information, uniform legal frame and regulations on accounting and operations of the stock market and stable currency circulation.

Recently, the Government has issued two important decrees concerning sources of commodities for the market and state management over the market. These are initial measures to set up the stock market soon.

- a. The Government's Decree 28/CP dated May 7, 1996 on changing some state-run enterprises into joint stock companies. Accordingly, the Government allowed these enterprises to sell publicly shares to their workers or via commercial banks and financial companies. This will provide commodities for the market.

Before Decree 28/CP, Vietnam had short-and long-term securities (but most of them are short-term

and registered ones) such as: shares and term bills of joint stock companies and banks, T-bills and Government bonds, promissory notes. These securities were issued with a face value and circulated in such forms as: collateral, transfer, payment and so on. There were also signs of speculation in these securities.

- b. The Government's Decree 75/CP dated Nov 28, 1996 on the establishment of the State Securities Commission (SSC). This is a governmental body implementing state management over securities and the stock market. The SSC will focus its efforts on making draft laws on securities and the stock market to submit to the Government for approval with the aim to build a legal frame for the birth of the stock market and the management of this market.

The SSC is entitled to grant, suspend and revoke work permits of securities dealing companies, investment funds and securities issuing entities in compliance with the Government's regulations. Meanwhile it will organize training courses for officials to meet the market initial demand.

- c. The following measures should be implemented uniformly:

- Increasing the number of joint stock companies to issue a great quantity of securities with bigger face values and bearer stocks for the buyers and investors' convenience.

- Making favorable conditions for shareholders to sell their shares on the market.

- Diversifying forms to attract idle money to the stock market and encouraging the public to invest in profitable companies.

- Changing the psychology and habit of units which used to apply for grants-in-aid and preferential credit in the period of state subsidization.

In short, for the moment the Government is urgently creating socio-economic preconditions for the establishment of the stock market to soon bring it into operation. In addition to basic conditions such as: commodities for the market, technical facilities, information system and human resource, the formation of the State Securities Commission according to Decree 75/CP is essential to prepare for the market appearance and sustain its development and at the same time minimize initial losses and defects which the world's stock markets has ever suffered and faced ■