Vietnam's Corporate Bond Market, 1990-2010 : Some Reflections

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Corporate bond appeared in 1992-1994 in Vietnamese capital markets. However, it is still not popular to both business sectors and academic circles. This paper explores different dimensions of Vietnamese corporate bond market using a unique and perhaps, most complete data set. State not only intervenes in the bond markets with its powerful budget and policies but also competes directly with enterprises. The dominance of state-owned enterprises and large corporations also prevents small and medium enterprises from this debt financing vehicle. Whenever a convertible term is available, bondholders are more willing to accept lower fixed income payoff. But they would not likely stick to it. On the one hand, prospective bondholders could value the holdings of equity when realized favourably ex ante. On the other hand, the applicable coupon rate for such bond could turn out negative inflation-adjusted payoff when tight monetary policy is exercised and the corresponding equity holding turns out valueless, ex post. Given the weak primary market and virtually non-existent secondary market, the corporate bond market in Vietnam reflects our perception of the relationship-based and rent-seeking behaviour in the financial markets. For the corporate bonds to really work, they critically need a higher level of liquidity to become truly tradeable financial assets. Updated entries in 2010 affirm the findings and conclusions.

1. Introduction

Vietnam has been viewed, *de facto*, as a new market economy after its comprehensive economic reform in 1986 (usually referred to as Doi Moi), launched at the Sixth Communist Party's Congress. For more than 20 years in transformation, the birth of different types of markets has played a critical role in changing the national economic settings and cultivating a better functioning market mechanism in the society, at various levels. Since 2005, the government has set the ambitious economic goal to become an emerging new industrialized economy by 2020 or so. And to achieve this, nobody could dispute the argument that a healthy and fast-growing corporate sector would be the determining factor. Naturally, this sector will have to address a major constraint that many a time slows down their advance i.e., capital shortage. The development of smooth functioning

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capital markets has thus become an apparent medium-term objective for the country, although it is also where we can see most clearly the gap between desirability and achievability.

As to the development of financial markets in general, when studying the transformation set out by Doi Moi, economic and business researchers mostly focused on markets and sectors where impacts could be observed clearly and directly, such as the banking system, the foreign exchange market and more recently, Vietnam's Stock Market (VSM). Thus an increasing number of academic studies and insights on these markets/ sectors have been offered from 2004 to 2009, although the markets are still in their infancy and transformation is expected to take place for many more decades.

Nonetheless, an important part of the financial system, in general and capital market, in particular, that is the corporate bond market has not been studied adequately. The notion of corporate bond market that we use here refers to the entire system of : (i) products; (different types of bonds); (ii) market participants, stakeholders (issuers, investors and regulators); and (iii) microstructure and mechanism for the market to function smoothly and the price discovery process to take place properly.

1.1 Rationale

A justification for the rest of our discussion needs to be given now. Before the existence of any equity market in Vietnam, debt markets had already been established. Debt financing has thus become a common financing vehicle through either formal bank credits, non-bank loans or informal credits. But it is also noteworthy that the debt capital market has been dominated by banks of which state-owned commercial banks always outweigh the rest of the financial market (Vuong & Pham, 2009, pp. 136-137).

This situation leads to a serious imbalance in allocating funds to different economic sectors, with the loser always been private Small and Medium Enterprises (SMEs); the sector that has constantly been labeled by both the government and economists as "the main engine for growth and safety cushion for the economy in transition". Now, if we take into account the argument and all recognition of the critical importance of the SME sector, we must also admit that this growth driver has for long been under-powered, although entrepreneurs constantly try to seek conventional and innovative financing options, both debt and equity. Corporate bonds, despite their new concepts in the transitional economy of Vietnam, are likely to drive up the bond market because of long-staying capital shortage and operational inefficiency of the banking sector and the financial system (Vuong : 1997a, 1997b, 1998a & 2000).

Although they are presented early in Vietnam's modern history, corporate bonds had never been a familiar financing option for the corporate sector. The instrument had not constituted a major portion of the debt market until very recently, after the capital market booming period of 2006-2007.

In the post-Doi Moi period, 1986-2009, the Vietnamese emerging market economy has experienced a big surge in the need of finance, for which domestic innovations in financial products have been brought about by a growing number of financial service firms and a fast-growing demand for different sorts of finance, debt, equity, quasi-equity, etc. However, still bank lending and recently, equity financing, have prevailed. The banking sector continues to have overshadowed the rest of the financial system of the country.

On the other hand, the recent booming of domestic capital markets, mainly seen through the asset price inflation in Vietnam's nascent stock market, now comprising of Ho Chi Minh City Stock Exchange (HSX, starting 2000) and Hanoi Stock Exchange (HNX, starting 2005), has mostly been meaningful to upper-stratum enterprises.

Thus bank lending and equity finance in large scale (such as through capital market operations) have still been beyond the reach of smaller firms, while the majority of the corporate sector in Vietnam is classified as SME. It is noteworthy that since the mid-1990s, the international donor community in Vietnam, a group of developed countries and multi-lateral institutions, has spearheaded the private SME sector as a major source of sustainable growth for Vietnam in the long-run. Different technical and financial assistance initiatives have been pursued, such as microfinance by the French AFD, women entrepreneurship financial support by the Belgian BTC, the MPDF programme for supporting private sector enterprises managed by World Bank's IFC and so on. However, these efforts and financial supports have, perhaps, not brought the most important result for the smaller private enterprise sector : a better functioning debt market.

Access to credits for SMEs continues to be a harsh reality. Alternatives to the overwhelming bank loans are limited. Financial leasing, once expected to become a term financing option, never grew to the necessary critical mass and became short-lived, despite early promising results in the late 1990s (see Vuong, 1997b). The difficulty in obtaining sufficient finance for growth, together with the fast-changing business conditions, made honest private entrepreneurs more cautious in using debt finance, a reality that could be dated back to the mid-1990s. SMEs also realize that both the absence of genuine venture capitalists, higher risk-tolerant investment funds and their management skills, made it impossible for risky debts and risk equity to help them, even from investors and financiers known to have taste for risky investments (Vuong, 1997a, 1998a & 1998b).

Even when equity financing by a wave of venture capital and conventional investment funds became more available, there still exist some critical issues. First, only a handful of startup firms in a few industries (such as ICT, high-profit services) proved to be successful in getting the funds. Second, the amount of funds is usually small, perhaps never close to real need of finance, thus becoming something symbolic only. Third, the question of commercial viability of these young firms is really difficult to answer, leading to a serious question of making business on such equity finance.

Naturally, the facts lead to our consideration of a rather conventional but still under-developed debt financing option in the economy—the corporate bond. In the light of the above, corporate bond should not only be the most promising, but in effect, *sine qua non*.

1.2 Institutional Background

Bonds, like modern paper money and stocks, were first introduced in Vietnam by the French colonialists, quite early in the modern economy of the contemporary Vietnam. An example is corporate bond issued by the French railroad firm—*Compagnie des Chemins de Fer des Colonies Françaises*—which was well-known at those times and focused on developing the railroad system in French colonial territories.

Financing needs following infrastructure, mining and manufacturing projects by the French are the *raison d'être* of these bonds. Since these ventures started right in the early years of French invasion and austerity in Vietnam, corporate bonds like the above-mentioned Saigon to My Tho railroad project bond in 1884 are not rare. (The French also issued stocks for many subsidiary firms and projects in this period of Vietnam's history.)

In the central planning regime, State-owned Enterprises (SoEs) fully dominated the economic systems. Their capital needs meant those of government and should be financed by state budget. In the past, the central government of Vietnam at times raised funds for public expenditure and in part to finance SoEs' demand for capital, by issuing the so-called *'công trái'*—an old-fashioned name for government bond. There is neither primary nor secondary market for these government bonds. Popularly, the bondholders—most of them were civil servants and bureaucrats—considered the purchase of *'công trái'* as formal contribution of several days salary. These bondholders usually kept their holdings of bonds until maturity and were entitled to the face value of their holdings plus a pre-determined interest amount. As to non-state enterprises, low saving rate of people as well as absence of capital market prevented them from offering debt instruments to the population.

The shift from the long-standing one-tiered banking system to two-tiered one—which was made to happen from October 1, 1990—was a milestone of Doi Moi. The market-oriented financial systems facilitated the process of separating corporate bonds from government bonds. Starting in the mid-1990s, project bond—a debt instrument in a primitive form of corporate bond—appeared in the olden days of Vietnam's debt market (Vuong, 2010). These bonds were issued by corporate entities having the need of raising external debt funding other than conventional bank loans. The funds were used for specific projects. At this stage, there was a grey area between government and corporate bonds which caused transitional characteristic. Most issues needed some kind of 'guarantee' by the state, for example, a payment ascertained by Vietnam Ministry of Finance. Local state treasury-authorized offices also participated in enhancing a smooth sale of the bonds proactively.

The change in nature of corporate bond issues in Table-1 is noticeable. In 1996, Refrigeration Engineering Enterprise (REE) issued the first convertible bond ever existed in the modern days of Vietnam. Vietnam International Leasing Company (VILC) issued fixed-rate book-entry bonds in 1999. The two issuers are usually thought of as private-sector firms, with REE Corp. being privatized in 1993 and VILC a joint venture with a substantial equity holding by the Korean International Leasing Company. These issues were both unsecured and unguaranteed. Their success in issuing corporate bonds has been remarkable due also to their high leverage at the time of issuing and their overwhelming access to bank loans, a common position that had been shared by a majority of private sector firms. The nature of these unsecured bonds issued reflected the first introduction of project financing concept into the economy of Vietnam, where only issuers' commercial viability and capacity of generating

Table-1 : Several Issues of Corporate Bonds in 1990s

Project	Issuer	Unit	Value	Year of Issue	Term (years)	Coupon (%, p.a.)	Type/Remarks
500 KV power line	EVN Corp.	VND	334.0 bn	1992-94	3	3.8-5.0	Bond; MOF guaranteed; gold-indexed
Cement	Hoang Thach Plant	VND	44.3 bn	1994	3	21	Bond; State Treasury guaranteed
Cement	Anh Son Plant	VND	7.5 bn	1994	3	21	Debenture
Air-con engineering	REE	USD	5.0 mn	1996	2	4.5	Bond; Convertible
Steel casting	Southern Steel Co.	USD	0.46 mn	1995	3	n.a.	Debenture
Power	Yali Hydro Power	VND	200.0 bn	1995-96	3	8.50	Bond; State Treasury guaranteed
Tourism	Khanh Hoa Tourist	VND	25.0 bn	1998	5	n.a.	Debenture
Cement	Phuc Son Plant	VND	63.0 bn	1997-98	3	14	Bond
Financial Services	Vietnam Int' Leasing Company	VND	10.0 bn	1999	5	11	Debenture; Distributed by ICBV

Source : Vuong (2000).

Note : MOF – Ministry of Finance; ICBV – Industrial and Commercial Bank of Vietnam (since 2009 : VietinBank) healthy cash flow in the future really counts. Government-guaranteed debt issues have gradually shifted toward commercial types and on the basis of creditworthiness.

In July 2000, the first stock market was established in Ho Chi Minh City. Corporations since then have had an alternative for finance if equity is their choice. To a certain extent, the existence and vitality of a functioning stock market has induced better activeness of the bond and similar debt finances. Both the number of successful issues and liquidity of corporate bonds have shown significant improvements in recent years, although problems that hamper the development of the corporate bond market remains—the issue that we will deal with later on, in this study.

1.3 Legal and Regulatory Foundation

The primary and secondary market transactions of corporate bonds in Vietnam have been governed by a regulatory framework, consisting of several legal documents which issuers and participants in the bond market must observe.

The Law on Securities, 2006 : This highest regulatory document governing the listed and public corporate bond issues and trading was passed by the National Assembly of Vietnam, numbered No. 70/2006/QH11 on June 29, 2006. It stipulates that a firm that wishes to offer a sale of bond to the public must prepare a set of documents and follow disclosure requirements, prior to a formal appraisal/approval by the authorities.

The stipulations focus on the issuing firm's responsibilities of maintaining healthy financials and meeting its financial obligations to bondholders. Information and disclosure practices play a pivotal role to this end. Issuing firms must ensure the validity and completeness of data to bondholders even before the issue.

The financial accounts presented by such bond prospectus must comprise of audited balance sheets, statements of income and statements of cash flows. Annual financial reports must also be provided to bondholders.

The Enterprise Law, 2005 paves a debt-issuing path for a shareholding firm by stating that they have right to issue corporate bonds, convertible bonds and other types of bonds, in conformity to laws and the firm's Articles of Association. The law prohibits enterprises from issuing bonds when they do not exhibit a sound financial position, having signals of either low debt servicing capability or below-average profitability. The Board of Directors has the right to determine details of the issue, but it will have to go back to present these to the firm's General Assembly of Shareholders in due course.

In addition, the Decree 52/2006/ND-CP by the Government of Vietnam stipulates details which enable eligible enterprises to issue their bonds, vanilla or with embedded options (convertibility attached with rights). Financial and regulatory obligations pertaining to the issue, rest with the enterprises.

And finally, the decision 07/2008/QD-NHNN by the State Bank of Vietnam (SBV) governs particularly credit institutions operating in Vietnam, including state-run and joint-stock commercial banks, foreign bank branches, 100 per cent foreign-owned banks and banking joint ventures. This decision is devised for banks, on top of other legal documents, since banks are large financial firms that may have profound impacts on stability of the national financial system.

The above law and sub-law documents constitute a regulatory framework that enable the bond markets, formal or informal, to be institutionalized and traded. In reality, they still contain unsolved issues but remain to be important cornerstones for the surge of the corporate bond market in Vietnam from 2005 to date.

2. Review of the Literature

There is a rich literature of corporate bond-related issues. Unfortunately, not many research efforts have been extended to the Vietnamese bond market, perhaps because of its early day's negligible size and low significance in international portfolio indexing. To this end, this study makes one of the first major efforts in understanding their foundations and insights.

2.1 The Literature

Oldfield (2004) reports that by issuing bonds and debentures, the corporates start playing a game with claim holders. On the one hand, an issuing corporate takes advantages of setting up terms and conditions of the bond in order to escape covenant restrictions or capture option value for its stockholders. On the other hand, investors keep their right to refuse the game. Bondholders, if existing, resist the issuer's endeavours and capture option value for their coalition. While pursuing their own interests, arbitrageurs and issuers create market equilibria, single or multiple. In this game, Oldfield also suggests the exchange of player's position; that is, stockholders request to convert their holding shares to corporate bonds, especially in financial distress situation.

Interest rates have a particular influence of corporate bond market. Conklin's (1961) definition of the outlook for the corporate bond market is the outlook for interest rates. In the short-run, supply of funds is relatively much more stable than the demand which is affected sharply by performance of businesses. Thus it is not uncommon that outlook for interest rates is expectation of general business results.

In recession times, business demands for funds decline and that trend would likely remain for a while due to recessionary tendencies. In contrast, the demand for low-risk or risk-free fixed income instrument, such as government bond, is rising since large deficit could build up quickly even in the absence of new spending programmes. The decline of demand for fund in the market is easily offset. On the one hand, the impact upon the long market is obvious if businesses are financed as much as possible through the intermediate and long-terms. On the other hand, being financed largely through short-terms and easy bank credit causes inflation surge.

Therefore, the common anti-recessionary monetary policy is to reduce interest rates, since low rates raise expectation of business performance. This, in turn, increases fund demand of corporate sector. Fiercer competition on the capital market results in increasing interest rates because more investors expect a subsequent recovery. Conklin (1961) names such downside reluctance an inflationary psychology of investors. In the 2007-2008 financial turbulence, Vietnamese economy also experienced increasing interest rates in a totally different situation (Vuong & Tran, 2009). Inflation surged from 12.6 per cent by the end of 2007 to 19 per cent at the end of the first five months of 2008. In order to tighten money supply, the central bank in Vietnam increased base rate to 14 per cent per annum (p.a), causing the highest lending rate available in the marketplace to 21 per cent p.a. In tight monetary scheme, we also recorded failures of government bond transactions on secondary market even at very deep discount of up to 50 per cent, for fully secured 10-year instrument, reflecting a serious liquidity problem. In this dark period, although only taking place for about two months, business psychology worsened in no time. In addition, illiquidity of government bond strongly indicated that there was no secondary transaction of corporate bonds because the latter would be much riskier than the former, especially when the overnight interbank lending rate is hiked to the phenomenal level of 40 per cent p.a.

In a recent innovation, a debt issuer can also use a claw-back provision. This tool enables the redemption of a specified fraction of the bond issue within a specified period at a predetermined price and with funds that must come from a subsequent equity offering. Goyal *et al.,* (1998) argues that this option may be taken advantage of by the issuer to mitigate the wealth losses that would otherwise occur when new equity is offered. Their statistical investigation shows that private corporations, especially those which have more intangible assets, have fewer liquid assets and are less regulated, preferred claw-back in their debt contracts. The result provided by Goyal *et al.,* indicates that 80 per cent of the time, claw-back provision is used by private firms. This clearly interests researchers who focus on the impact of debt financing, especially in the form of corporate bond, on possibilities of entrepreneurial finance.

Further on determinants of bond issues, Hotchkiss and Ronen (2002) report that stock price changes do not systematically lead bond price changes. In this study, we do not have opportunity for examining this relationship largely due to the current situation in the Vietnamese securities markets, in which data and statistics are basically fragmented and would not likely constitute a true understanding when illiquidity is very common. Our observations, however, suggest that active transactions and positive price changes of stocks are important indicators for a successful corporate bond issue.

In another study, Bessembinder *et al.,* (2006) sees transparency improvement as a main tool for reducing trade execution costs for corporate bonds, which may cause liquidity externality. Transparency could help reduce both market-maker rents and market-making costs. Primary and secondary trading results of corporate bond market are traditionally reported only to involved parties. Therefore, even institutional investors are hardly able to compare their execution prices to the others. In their study, execution costs reduce approximately 50 per cent for bonds eligible for TRACE[1] transaction reporting. Lack of information may well be a reason for a quiet corporate bond market in Vietnam. Although the stock markets have recently been very noisy and increasingly active, bond transactions are still the game for a small group of players, with professional skills and mandates. In order to disseminate bond market information, the HNX—the only bond market in Vietnam—has requested the bond investors to provide primary and secondary trading results as well as other news and releases in relation to bond transactions on their corporate websites by the end of 2009.

In explaining the current degree of activeness of private bonds, we could refer to Alexander *et al.,* (2000), who hypothesized that bonds issued by private firms (that is companies without publicly traded equity) should have lower volume. Although both public and private companies are requested to provide debt market's players with compulsory disclosure, investors' access to financial accounts of the former appears somehow less challenging. In our case, Vietnamese listed companies must report their business and financial performance quarterly. In addition, their stock prices are considered informative and useful statistics indicating the capacities of the debtors; and this partly explains the reality that a convertible condition is popular in successful corporate bond issues. Results of Alexander *et al.*, however, do not entirely agree with this. Mandatory Fixed Income Pricing System (the FIPS introduced by Nasdaq Stock Market in April 1994) issues of private equity firm trade as actively as securities of public firms. While equity is not available, more investors may prefer debts of promising private firms to those of similar public firms, especially when they still have future chances to convert such debt into equity of the issuers.

As to liquidity of corporate bond secondary market, Alexander *et al.,* (2000), examine the spread between institutional buy and sell prices. Bonds with higher trading volume are from larger issues and are seasoned less than two years because of lower transaction costs. They also assert that transparency improvement is highly important to liquidity. Several bond dealers would lose their informational advantage if disclosure becomes compulsory and standard, hence would be either unwilling to make markets or reluctant to provide quotes with low friction. These acts may reduce the market liquidity. However, Alexander *et al.,* find some issue trades fairly active in FIPS. They, in addition, suggested that low-volume bonds are likely less liquid than high-volume bonds because of larger inventory of dealers that in turn increases transaction costs.

Looking into risk-return determinants of bond performance, Boardmand and McEnally (1981) decompose prices of corporate bonds into three elements : (i) the pure price of time; (ii) the default risk of the agency rating class to which the bond is assigned; and (iii) the unique risk and ancillary features of the bond itself, which exchange a corporate bond will be listed on or whether it will be listed or not, may affect marketability of the bond. On the one hand, a listed corporate bond is more attractive because of investors' expectation of easier trading and lower transaction costs. On the other hand, the fact that corporate bonds are traded largely over-the-counter among institutional investors, both in Boardmand

and McEnally's work and in our observations, implies that the real value of listing act *per se* is minimal.

On the effect of market credit condition on interest rates of corporate bonds, Brimmer (1960) gives us some good and relevant idea. The paradox of pricing process happens when interest rates are high, newly issued corporate bonds are usually offered to investors at yields substantially above those currently provided by seasoned corporate obligations of comparable quality and maturity. If credit market becomes more liquid, then the differential between new and seasoned bond yields narrows appreciably and may even become negative. When facing financial turmoil in 2008, the Vietnamese economy experienced precisely this story. In September 2008, Hoang Anh Gia Lai—a major firm operating in wood processing and real estate development; also a major stock market player—issued a two-year bond at 20.5 per cent p.a. At that time, Vuong and Tran (2009a) report that the central bank base rate was capped at 14 per cent p.a., which allowed the highest commercial bank lending rate to be 21 per cent, most probably for short-term loans. In December 2008, the corporation would be happy to raise funds at 12.25 per cent p.a. for the same maturity when the base rate declined to 8.5 per cent.

Furthermore, while facing a commercial bank credit crunch, corporations may have to sell short-term bonds to obtain working capital. In 2008, most issues carried a maturity of two years or three. Although there existed debentures issued by the major real estate developer Sacomreal, the nature of these issues significantly departs from a pure financing instrument since their creditors aim at asset-purchasing rights embedded in the instrument. This reality gives rise to the mismatch between terms of funds-rising and those of capital expenditure. As to issuers, it is a plus point that their source of capital is somewhat assured. Thus the buyers, facing higher risk, request higher financial payoffs. Because borrowing costs increase, corporations may be forced to investigate other options such as bank loans. Given low the liquidity, bank lending rates keep raising. This vicious cycle probably results in an ever-rising interest rate and strengthens the dependence of corporations on banking system—the structural issue of the Vietnamese transition economy. Brimmer (1960) also argues that the greater reliance on long-term funds would be reflected in the increased flow of new corporate issues and the concomitant rise in the new issue yields.

2.2 Relevant Questions for this Research

In the Vietnamese economy, the market really starts with entrepreneurial activities, which have existed for long but never developed to efflorescence in the entire history. The nationwide reform programme since 1986, Doi Moi, has institutionalized many constitutional and legal aspects of the sector, but financial constraints remain.

In the voluminous literature on entrepreneurship, alertness to profits hypothesis suggested by Kirzner (1973) is quite noteworthy and represents the key element in successful entrepreneurial process. This has been supported by the reality that the majority of most successful entrepreneurs in Vietnam started by nature with trading successes. Nonetheless, to develop a full-blown private sector, at some point of time, financial constraints emerge to be one of the most important issues, yet overwhelmingly challenging to solve.

While equity has always been limited, nascent state of the debt market and other venture capital funding channels is also an impediment. Relationship-based rent-seeking games that prevail in the transition economy of Vietnam further exacerbate the private SME sector's capital constraints. We may have little choice but to look into debt finance alternative as corporate bonds. The instrument has some advantages since they have become increasingly familiar with the investing public (prospective bondholders) and the products could carry with them further innovation features such as embedded options of convertibility, gold-indexed or right to future physical assets (such as in the case of real estate). However, most importantly, the corporate bond option has recently been facilitated with new developments in the regulatory framework, which continues to consummate its functioning and liquidity of secondary markets has gradually improved over time and along the course of transforming the nascent capital market to a more developed state.

3. Analysis of Vietnam's Corporate Bond Primary Market

The surge of VSMs, especially in the period of 2006-2008, resulted in increasing interests within not only the business sector but also the academic circle. Despite the existence of several securities market data provi-ders, there has been, however, no data set detailing corporate bonds issues and trading. This reality may explain the vacuum of bond studies in Vietnam, both quantitative and qualitative. This research uses a unique and perhaps, the most complete, data set organized and compiled by the authors with assistance from the research associate at DHV&P[2]. We would briefly describe the data set below and then present our analyses.

3.1 Data Set

We construct a data set using various sources of information, namely : (i) press releases by corporations, market-makers and exchanges; (ii) public media, where some details of corporate bond issues are unveiled at times; (iii) direct interviews with reliable sources, mainly senior managers with dealers and/or issuers; and (iv) occasionally, previous studies and reports if considered relevant.

The data set comprises of 152 corporate bond primary issues. In this study, an issue may be in one of the three states : planned, failed or successful. In theory, a corporation usually makes an announcement on its *ex ante* intention of bond issuing before the actual date. After that day, the issuer should and in many cases, is requested to, report the result of the issue to the relevant authorities and the public. However, this is not always the case in reality. While collecting data, we were facing situations where corporations unveiled their issuing plan without reporting final realizations *ex post*. In other situations, only the final issue results were reported without prior information on issuing intent from the issuer. In our data set, an issue is successful when the issuer or dealer or authority officially reports that all or part of the bonds has been transacted successfully in the primary market.

Each entry includes fourteen fields : Name of the issuer (if the issuer is a listed company, we use its stock trading code, except EVN for Electrics of Vietnam, HUD for Housing and Urban Development Group, MB for Military Bank, PVN for PetroVietnam, SCB for Saigon Commercial Bank and VEC for Vietnam Expressway Corporation); Ownership (value '1' if issuer is an SoE); Listing status (value '1' if the issuer is a listed company at the date of issuance); Major business industry; Year of issuance (with an issue as above-defined); maturity; expected; and successful values of issuance; money unit; status of issue; interest rates; technical term and location.

The majority of corporate bonds issued in Vietnam are in local currency (the Vietnamese Dong; or in short, 'VND'). There have been only seven corporate bonds issued in US Dollar, with four of which being successful, in full or in part. The data set indicates expected and successful values in USD, using average exchange rates compiled by the authors.

The data set spans over the period from 1992 to 2009,[3] thus covering the entire history of development of corporate bond market in Vietnam's transition process so far. Legally speaking, the

Table-2 : Corporate Bonds by Industry

Industry	Issuer	Entry		Value
		Total	Success	(mil. USD)
Banking	13	34	22	1,636.36
Electrics	2	16	15	752.89
Shipbuilding	1	14	13	660.60
Others	4	9	5	609.10
Real estate	11	26	22	523.67
Construction	7	11	8	246.13
Mining	2	6	3	180.83
Infrastructure	2	9	6	154.50
Steel	2	3	3	83.82
Finance	4	6	4	32.04
Cement	4	4	4	22.23
Construction material	2	3	1	6.13
Gas production	1	1	1	5.85
Home appliances	1	1	1	5.00
Trading	2	2	2	3.15
Rubber	1	1	1	2.54
Tourism	1	1	1	1.88
IT	1	2	1	0.75
Seafood	1	1	0	–
Food	1	2	0	–
Total	**63**	**152**	**113**	**4,927.47**

Vietnamese bond market was born with the promulgation of Decree No. 120/1994/ND-CP, issued by the government in 1994. At that time, although the state sector entirely shadowed the economy and corporate bond was simply a financial vehicle to transfer individual funds from the population to SoEs, this first regulation on SoE's bond issuing, indeed, paved the way for the alternative long-term debt capital market.

Over the past two decades of transition, total value of successful corporate bond issues has reached USD 4.93 billion. This number is approximately 13 per cent of total market capitalization of VSM (about USD 39 billion at the end of 2009). We, however, should note that there are 63 corporate bond issuers while the number of listed firms is 457 at the end of 2009. The overall success rate among the announced bond issues has been nominally high, 113 out of 152 times. Before a detailed examination of the issuers, timing pattern, industry distribution, maturity and interest rates of issued corporate bonds in more details, the following provides a brief look at the primary market situation.

3.2 Issuers

Corporate bond is not a popular financial vehicle to Vietnamese business community. In nearly two decades, there have been only 63 firms attempting to issue 152 bonds. This figure is equivalent to 31.5 per cent of the 200 largest corporations of Vietnam, small portion of the increasing populated corporate sector, now recording 3,50,000 enterprises. On the one hand, bond market is a playing field dominated by large and well-known firms. On the other hand, there exists an ample opportunity for bond market development.

Two features of issuers, ownership and listing status, are presented in Table-3. Although stock markets have some positive effects on the bond issuing, e.g., more issues during the stock market boom times, majority of issuers are unlisted firms. When equity finance is not available, issuing debt is likely the only alternative. The slight difference between the numbers of state ownership and non-state ownership-related issuers is not substantial.

State-run firms tend to have a higher success rate compared to their private counterparts. In addition, their amounts

Table-3 : Statistics of Corporate Bond Issuers

	Total	State-ownership		Listed	
Issuer	63	31	49%	22	35%
Issuance	152	82	54%	46	30%
Successful issuance	113	69	61%	30	27%
Value (mil. USD)	4,927.49	3,135.83	64%	1,140.39	23%

of funds raised *via* bond issues also outweigh the private-sector players, occupying 61 per cent and 64 per cent of the market share, in terms of successful issuance and value respectively. The top five firms make up 28 per cent of the number of issues, but mobilize 48 per cent of the total funds raised from bonds. Four out of the five most important bond issuers are state-owned entities : Electricity of Vietnam (EVN); Vietnam Shipbuilding (Vinashin); PetroVietnam (PVN); and Bank for Industries and Development of Vietnam (BIDV). Clearly, they are corporate powerhouses either possessing oligopolistic features or being a financial superpower in the economy.

Take a closer look at the first three state-owned champions among bond issuers. They lead the market in terms of a number of issues with 36 large attempts or 38 per cent of the total bond market mobilization in its entire existence. These champions rarely failed in their issue, although both EVN and Vinashin did experience failure once in their issuing history, but these were their attempts on international bond markets (EVN, 2007, Vinashin, 2008). This is to compare with VIC a top-class non-state firm, operating in highly profitable sectors of real estates, financial industries, media and communications. Although VIC shares have been listed and performing well on VSM, its success is lower, only three out of five attempts. One of their three successful issues was the international bond offering in November 2009, when the firm offered USD 100 million worth of convertible bonds to foreign investors, falling short of its USD 150 million target[4].

Table-4 : Five Largest Bond Issuers in Vietnam

Issuer	State Ownership	Listed	Entry		Value
			Total	Success	(mil. USD)
EVN	1	0	15	14	734.86
Vinashin	1	0	14	13	660.60
BIDV	1	0	7	7	472.60
VIC	0	1	5	3	284.64
PVN	1	0	1	1	219.07
Sub total			**42**	**38**	**2,371.77**
Total			**152**	**113**	**4,927.49**

The large SoEs also came first in exploring the bond market capacity, with EVN in the period 1992-94, BIDV 2000, PVN 2003 and Vinashin 2004. Vincom—prominent private-sector bond issuer—only started its path after its VSM debut in 2007. The reality reflects the dominant position of the state-sector firms in Vietnam's transition economy, which has been in part shown by their performance in primary corporate debt market. This timing of SoE role in the bond market of Vietnam was perhaps set by the early legal framework that only dealt with SoEs' bond issuing practices and regulations, setting aside a large portion of finance needed by the private SMEs. Only two first tiny issues were observed in 1998 by EIS—a small private-sector internet services firm—worth USD 0.75 million convertibles and VILC—financial leasing joint venture with the state-run powerhouse Vietinbank—worth USD 0.72 million bond with five-year maturity and 11 per cent coupon rate in local currency.

Observing the financial performance of state-run firms brings about several insights. The lack of transparency and problems of efficiencies tend to obscure the possibility of sales of stock. The question of 'who are the buyer of their shares and at what prices' could only be solved at the boom times of VSM, when many international economists regarded as 'investing mania' and remain a conundrum in normal days of the market. Since direct equity injection into state-run firms is getting harder over time, given budget constraints and growing concern of the congress, naturally corporate bonds have gradually become a major vehicle for long-term capital build-up for SoEs.

However, the case of Vietnam Expressway Corp (VEC) is an example that suggests the 'state-run label' is not enough in the bond market and corporate bond issue is not a 'one-for-all' game, even to a politically backed-up firm. VEC is a state-run infrastructure firm, endowed with many pecuniary rights in developing and operating the booming highways construction industry in Vietnam's emerging economy. Nonetheless, the market has repeatedly signaled its doubt on the firm's management capacity and performance transparency. This led to repeated failures in its bond issuing attempts in a short period of time, representing a high failure rate ever[5]. Out of its six issues, three were considered complete failure, although they had all been guaranteed by the government. Even its 'successful' issue—as per our data classification—in August 2009, VEC's four-year bond with government's guarantee was only able to sell USD 0.19 million of the planned USD 29.27 million, a mediocre 0.7 per cent of the value that the firm has wished to mobilize.

Apart from straight bonds, the phenomenon of convertibles in Vietnam's emerging market is also noticeable. These are quasi-equity instruments, which provide both streams of fixed incomes and a call option against the issuer's common stock. On the one hand, prospective bondholders could value the holdings of equity when realized favourably *ex ante*, especially when the underlying stock flies high. On the other hand, the applicable coupon rate for such bond could turn out negative inflation-adjusted payoff when tight monetary policy is exercised and the corresponding equity holding turns out valueless, *ex post*. In our observation, convertibility in fact adds more risk to the bondholders' part in the early stage of development of bond markets in Vietnam; although some added flexibility is usually highly welcomed by many investors.

In Oldfield (2004), it appears that simple calculation of conversion value and call price is not sufficient to predict a forced conversion or redemption of corporation. When the call protection interval has expired, there are two factors which could prevent a forced conversion through a call. First, issuing corporation needs a credible method for financing the call. Second, call delay is a more significant threat. This is because shareholders structure may be changed if the ownership of the convertible bonds is concentrated among a few co-ordinated investors. Such situation, of course, requires the convertible volume to be large enough to the amount of stock outstanding. In the case of Vietnam's emerging corporate market, the high failure rate of corporate bond with convertible options reflects the fundamental axiom of choice by the market participants. We will not deny the fact that the equity market has attracted an increasing public attention in Vietnam since its first boom in 2005; and this is why the convertible bonds in many issues became the market's favourite. Nonetheless, the real value only appears when issuing firms prove themselves to be profitable operations and growth opportunities promise adequate payoffs in the future. From our data set, Vinaconex (VCG), Vietcom-bank (VCB) and Saigon Securities Inc. (SSI) are typical examples of successful convertibles, while EIS and Viet A Bank failed to meet the market's expectation on their issues of convertibles.

In 2007, VCG issued successfully a large amount of three-year convertible bonds worth USD 62.01 million, at 3 per cent annual coupon rate in local currency and we should note that Vietnam's inflation in 2007 proxied by average annualized CPI reached 8.3 per cent. Also in this year, the foreign-invested IFS listed on HOSE failed to issue its USD 15.5 million lot of three-year bonds with a much higher coupon rate, 9.6 per cent p.a. This same year, USD 12.4 million of two-year bond issued by Vinashin sold out at 8.9 per cent rate. Before that, 100 per cent of VCB's USD 86.29 million seven-year convertibles were sold out with 6 per cent coupon rate, while Song Da Corp., a major SoE in the lucrative real estate industry had to mobilize term finance at 9.3 per cent and 10.5 per cent p.a. for three and five-year maturity, respectively.

Previous success of EIS in 1998 was no guarantee for its next issue of convertibles in 2001 and Viet A Bank failed in two consecutive issues in 2008 and 2009. When the VSM fell in 2009, issues of convertible debt also became much more challenging as in the case of MCG and HSG. Clearly, what we learn from these statistics is that coupon rate and convertibility alone are not able to determine the fate of a corporate issue.

3.3 Investors

From another angle of analysis, the number of players in primary markets is critically important. The more the investors are interested in corporate bonds, the less strict covenants and the lower cost of capital are. Given that large capital investment and narrow return spreads prevent individual investors from bond trading, the number of commercial banks, securities companies, financial companies and other credit institutions involving bond transactions is a small portion to eligible financial organizations. In December 2009, there were 86 primary market members and 27 secondary market members (see Table-5).

In terms of market trading, government bonds outweigh corporate bonds in all aspects such as number of listed bonds,

Table-5 : Number of Bond Market Members, 2009

	Primary Market	Secondary Market
Bond market member	86	27
Securities companies	105	105
Other eligible financial institutions(*)	111	111

Source : HNX, SBV, December 25, 2009.

(*) : commercial banks (consist of state-owned, joint stock, joint venture, wholly foreign-owned banks, branches of foreign banks in Vietnam), financial companies and non-bank credit institutions.

volumes and values of each issue, etc. Data compiled from sources of HOSE and an active securities firm in the bond market show that only 11 corporates have been listed on both HOSE and HNX stock markets. The statistics provided by the system have been far from complete and accurate, thus left outside the scope of this analysis.

Financial institutions are raising their interests in corporate bond issuing services such as underwriting. The Vietnamese foreign banks actively involve bond markets in 2010. They are not only investors but also financial service providers. Their involvement, to some extent, improves the liquidity of the markets, particularly primary market. Issuances are more likely successful with those banks as underwriters or guarantors or arrangers. The dispute over underwriting failure between IFS (the issuer) and ANZ Vietnam (the underwriter) may be exceptional. This case, however, warns people of hidden costs possibly occurring while structuring the deals.

We can look at Table-6 with 11 data entries to have a feel about the quality of statistics. Four out of these 11 show some contradiction. Bond coded as BID10107, BID10406 BID1_106 and BID1_206 show their debut trading before their issue date! Now, taking into consideration that HOSE has been the most established stock market operating for 10 years now, such quality of transaction information clearly suggests that the public attention to public trading of corporate bonds is negligible. Naturally, the low liquidity of the Vietnamese corporate bond market has been very much in line with theoretical suggestions by our previous review of the literature[6].

What we could imply directly from lack of liquidity in secondary markets is inactiveness of the primary market. In many cases, dealers and market-makers, if existing at all, have to take on the holdings of the underwritten amount until maturity. This is clearly against the arbitrage-seeking motivation and contributes to the reduction of activeness by financial intermediaries in the bond market. For this reason alone, corporate bond issuers should find it much more difficult to identify primary market buyers and almost impossible to reduce transaction costs as they wish when employing bond financing theoretically.

Given the weak primary market and virtually non-existent secondary market, the corporate bond market in Vietnam reflects our perception of the relationship-based and rent-seeking behaviour in the financial markets, since only a number of large commercial banks and their securities subsidiaries dominate the total corporate

Table-6 : Listed Corporate Bond

Code	Issuer	Date of Issuance	Maturity	Value *(mil. USD)*	Interest rate *(%/ year)*	Bourse	Listed Date
PV060902	PVN	19-Jun-09	3	21.35	9.05	HNX	
VE061101	EVN	20-Jul-06	5	56.37	9.5	HNX	
VE061102	EVN	1-Sep-07	4	37.20	9.6	HNX	
VEC10801	VEC	1-Sep-09	15	3.46	16	HNX	
BID10106	BIDV	12-Jul-06	3	3.46	9.36	HSX	
BID10107	BIDV	18-Aug-08	5	18.39	8.15	HSX	21-Dec-07
BID10206	BIDV	7-Dec-06	5	2.82	9.15	HSX	
BID10306	BIDV	18-Dec-06	15	4.36	10.1	HSX	
BID10406	BIDV	18-Aug-08	20	2.15	10.45	HSX	16-Apr-07
BID1_106	BIDV	18-Aug-08	10	7.29	9.8	HSX	22-Jun-06
BID1_206	BIDV	18-Aug-08	15	6.23	10.2	HSX	22-Jun-06

Source : Websites of HSX and BIDV Securities (visited : 1 January, 2010).

bond primary market. The only way to secure the funding from bond issues for an issuer is to build close relationships with financial powerhouses that could help pre-arrange the required finance prior to the actual announcement of bond issues; and we clearly cannot regard this act as an arm's-length transaction, since the opportunity is not equal among enterprises and does not depend on the only basis of financial viability of issuers. Apart from superficially successful cases of SoEs in the bond market, other private-sector players that have also been successful in the bond market, such as VIC, prove themselves to be in the fields where typical rent-seeking activities in a transition economy prevail.

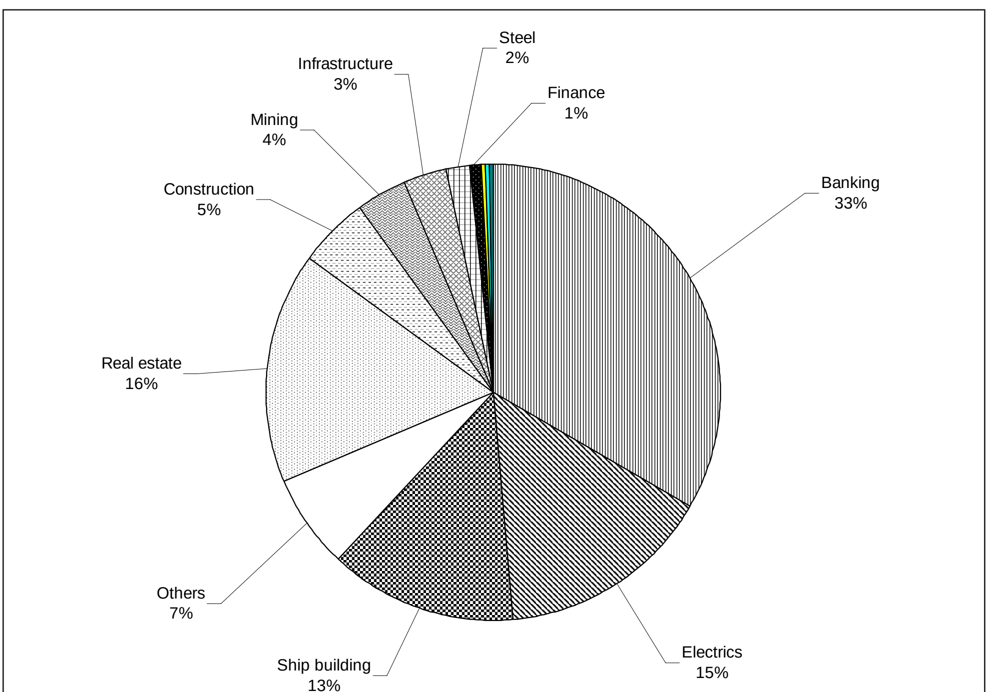
Following the above discussion, it is not surprising that there has been little room for private SMEs to issue bonds. The structural issue in resource allocation continues to remain despite the growing size of the corporate bond market.

3.4 Industry Distribution

Our data sample unveils 152 issues of corporate bonds in 20 industries of Vietnam's transition economy over the period from 1992 to 2009. Industries that have bond value—that was sold successfully—of 10 per cent market and above are, in value rank : (i) Banking; (ii) Electrics; (iii) Shipbuilding; and (iv) Real estate. The 'Others' category is comprised of three large firms VIC, PVN and FPT (the largest IT and communications firm in Vietnam; also privatized SoE)[7]. Figure-1 presents an industry distribution of corporate bond values through successful issues.

The first four industries show a strong concentration of values of up to 78 per cent of total bond market value in the primary market. These industries share the properties of : (i) monopoly, by state or nature; (ii) having large financing need; (iii) close link to state ownership; and, (iv) being classified into strategic fields of development by the government. Within each industry, these four properties also determine the priority for issuers and values, with one particular example being the banking industry. We now look into these properties more closely by visiting several industries.

Figure-1 : Corporate Bond Values by Industry



Banking : Three banks participating in the bond market as issuers with failure are : Phuong Dong Bank (once in 2009), Sai Gon Bank (once in 2008) and Viet A Bank (twice in 2008 & 2009). Thus the effective bond finances have been allocated to 10 commercial banks, of which two largest state-run banks, BIDV and Agribank, occupied 40 per cent.

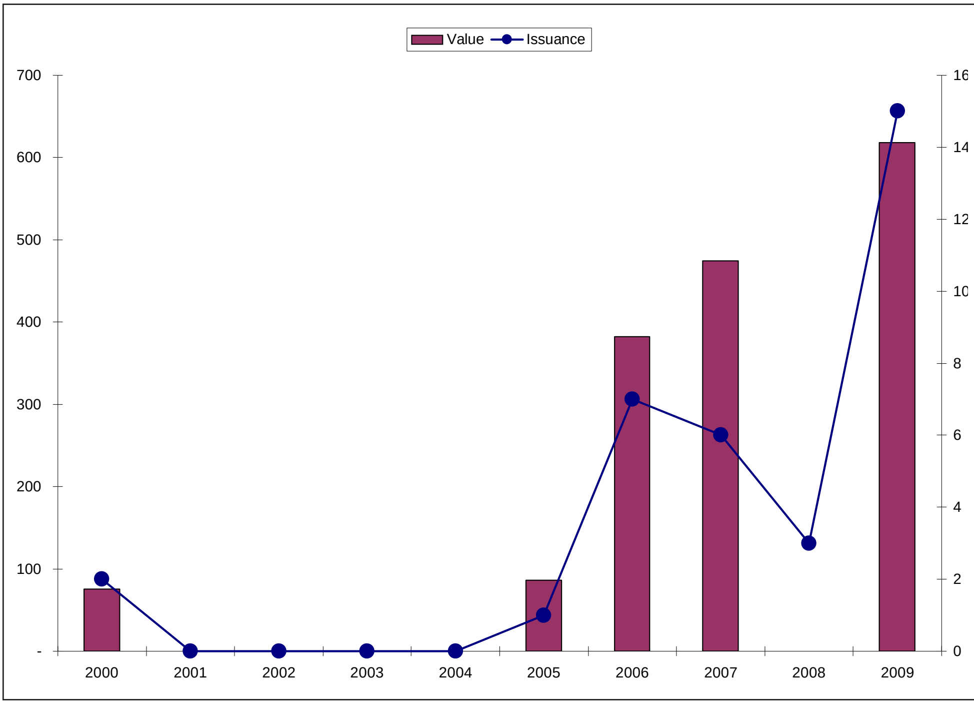
Major motivations for issuing bonds are banks' solution for Asset-Liability Management (ALM) problem and growth in size. Most deposits with commercial banks have been short-term or demand ones. The psychology of depositors has been obsessed with high-inflation periods and currency devaluations that happen periodically. When the economy faces financial turmoil, short-term rate usually skyrockets to adapt unexpected banking liquidity problems and flows of short-term money reflect arbitrage opportunities for many depositors[8].

However, the long-term financing need increases very fast, especially for real estate and infrastructure construction projects. Longer-term corporate bonds are of primary concern for banks to deal with the maturity mismatch in their ALM. The typical case is BIDV, charged with long-term funding for development projects, issue the largest amount of bond and most frequently, following its first two successful issues of five-year bonds worth USD 75.29 in 2000. This bank issued many bonds with maturity running from 5, 10, 15 and 20 years, and has become more active over time, with the number of issues increasing every year. Figure-2 shows the number of banks' corporate bond issues in Vietnam (both success and failure) over time.

However, for four years from 2001 to 2004, the banking industry of Vietnam recorded no success in bond issuing attempts. In 2006, Vietnam's most well-known VCB issued USD 86.29 million of convertible bonds successfully and this was a precursor to a boom period of VSM in the two years 2007, 2008, with the banking industry mobilizing USD 856.39 million from corporate bond sales or 52 per cent total bond values of the industry. Again, when some recovery signals appeared in 2009, the bonds helped banks mobilize USD 618.39 million.

Bonds were at times used as capital cushion for state-run banks that had planned to improve their capital adequacy, but could not issue equity stock immediately, especially in the case of banks in transformation to become shareholding ones. In fact, state-run banks could use the attractiveness of bank stock, once transformed successfully to get public funding at the cost of bondholders, such as in the case of

Figure-2 : Banking Corporate Bonds



Left Axis : Value in USD million. Right Axis : Number of issuances.

VCB convertibles in 2006. But the market anticipation was wrong in many cases, causing loss of wealth on the part of the bondholders. In the issue of VCB convertibles, the conversion happened in 2008, with stock price set at USD 6.63 each. However, this stock fell to USD 3.51 in the debut session of its listing chapter.

Real estate industry shows a balance between state-run and private-sector players in terms of bond issues. However, the financial concentration in the sector does not indicate a better allocation, but a trend for rent-seeking and arbitrage in real estate markets. The value share of this industry is 16 per cent, only below the banking industry, and four times of mining, five times of infrastructure. Land becomes a major natural and economic resource of the transition economy of Vietnam and rent seeking in this industry is clearly showing a strong motivation of concentration for emerging capitalists.

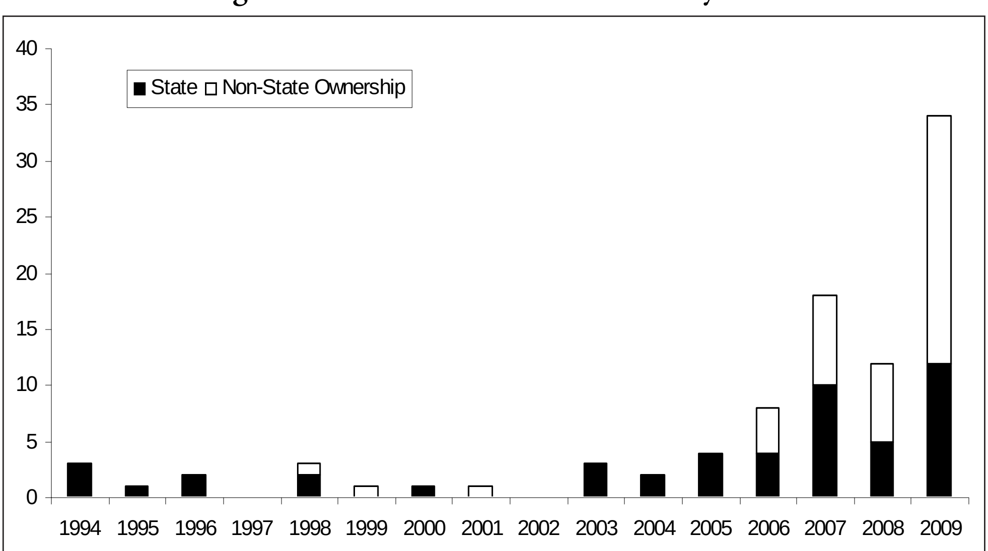
In this sector, we also see an innovation of the bond notion, with Sacomreal debentures embedded with the right to purchase real property at a later date. This bond perfectly suits the speculation needs of the market. The success rate of straight bonds in this industry over 2008-09 has also been high, 85 per cent.

Banking and real estate industries keep dominating the bond market in 2010, especially in terms of volume. Approaching the deadline of December 31, 2010, commercial banks in Vietnam are trying to increase their legal capitals to at least VND 3.000 billion (equivalent to USD 160 million). Issuing convertible bonds is their most preferred option. Despite the fact that banks have to mobilize so much capital, we have to recognize that investors are interested in banking services. Thus all banks' bond issuances are very likely successful. (Although we lack confirmation information.)

3.5 The Timing of Bonds

Before 2005, only SoEs could successfully issue bonds. Both exceptions of EIS and VILC exhibit some 'foreign-ownership factor'. We could mark the year 2006 as the starting point of non-state bond issuers to participate in this game, mainly coming from financial and infrastructure industries. The number of non-state players in the corporate bond market has gradually increased over time, showing more fierce competition in acquiring financial resources between state and non-state sectors. However, although outweighing the state sector in number of firms, the number of non-state issuers in bond market surpassed that of the state sector only after 2008, as shown in Figure-3.

Figure-3 : State vs. Non-state Issuers by Year

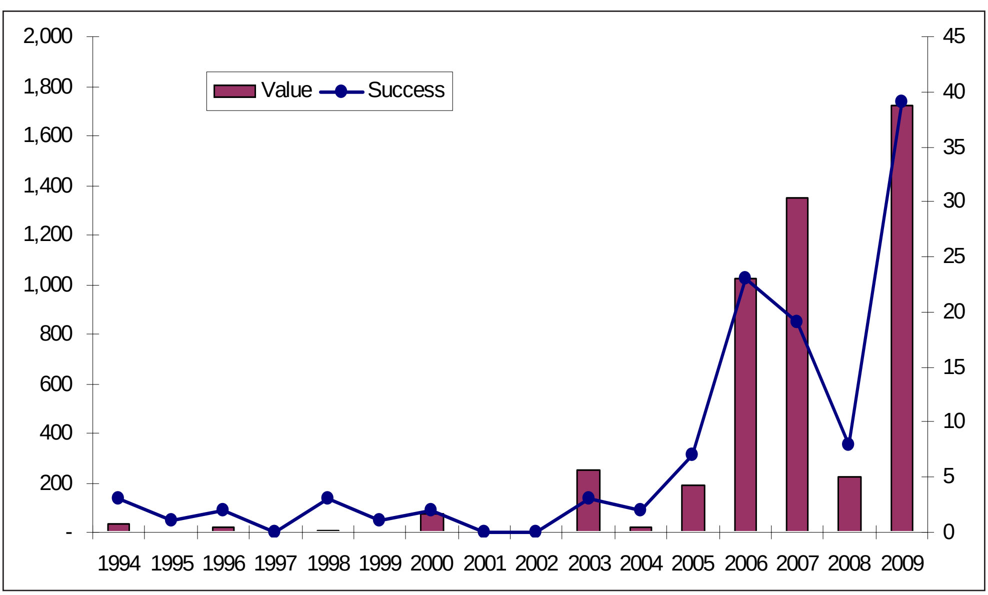


The most active period in the Vietnamese corporate bond market is 2006-2009. We notice an abrupt surge in size of the corporate bond issues of USD 251.29 million in 2003, but this figure is somewhat superficial due to three large state-run firms' issue with government backup, of which the giant PVN alone issued USD 219.07 million.

In the boom times of VSM 2006-07, bond issuers planned more capital budgeting with corporate bonds. Frequency and size of issues kept rising in this period. In 2006 alone, Vinashin issued five times and EVN nine times, etc. The total primary market size on historical values of bond issues in 2006 for the first time exceeded the USD 1 billion sum. 2007 continued to be a year of booming capital markets in Vietnam; the size of bond market in dollar terms reached USD 1.4 billion, with four issues by Vinashin, worth USD 415 million, Lilama (three issues, USD 124 million) and commercial banks, namely SCB, BIDV, ACB... issuing approximately USD 412.3 million.

The VSM meltdown in 2008 almost put the bond market on hold, but the comeback happened in 2009 with 39 successful issues, worth USD 1.724 billion. It is noteworthy that 22 out of 34 issuers of corporate bonds in 2009 are private-sector firms. Thus the importance of bond finance to SMEs

Figure-4 : Value and Number of Successful Bonds Issued



Left Axis : Value in USD million. Right Axis : Number of issuances.

is almost equal to the importance of SMEs' own participation to the bond market.

Information also has some role to play in the timing of the bond. In the period 2001-04, information preparation took longer, hence the leading time from the first announcement to the actual offering. In the case of Agribank, the lead time was phenomenally long, from 2003 to 2006; and this was VSM's poor-performance interval. However, the lead time reduced significantly in 2008-2009 to only matter of weeks. Furthermore, most issues with carefully designed information release experienced success. This gives us some important insights and changes of the Vietnamese corporate bond market in the current stage of development : (i) market participants have done a better job with facilitating information flows within the market; (ii) financial arrangement and underwriting capacity of financial intermediaries have improved; and, (iii) most importantly, perhaps, corporate bonds gradually become more promising financial assets in the eye of the investing public.

3.6 Maturity

The majority of bonds offered in the marketplace carry a maturity of medium-term, two, three or five years. Our statistics show that bonds with longer maturity tend to be successful in primary market issuing; an example is the phenomenal 100 per cent success rate of all corporate bonds with maturity of seven years and beyond. Now, by stating this statistics we do not say that those long-term bonds have been more attractive. In fact, we tend to believe that due to technical complication arising in these issues, these primary

Table-7 : Frequency of Maturity

Maturity (year)	Frequency	Success Rate
1	7	–
2	19	100%
3	36	69%
4	4	75%
5	40	88%
7	3	100%
10	10	100%
15	2	100%

transactions involved most creditworthy capital partners and usually granted more preparatory exercises. Thus once the information is released, success has almost been guaranteed.

The reason for our belief comes from the fact that only large-scaled SoEs are able to pursue large issues with long maturity; reflected through our data set with the names of Vinashin, Vinacomin, EVN, Lilama, BIDV and VEC. The 'state ownership' factor, together with an implication of government-guaranteed re-payment of debts, has still had a strong influence on the psychology of investors in the bond market.

Also bonds with maturity of five years and longer experienced high success rate. The result of our observation indicates that only a small fraction of 55 issues may experience failure. Our data indicates that the sales of long-term bonds appear not to have depended on the particular situation of the market. This leads to a better reasoning of issuing capacity that the depth of inter-relationship among the issuer, institutional bondholders and underwriters may be the single most critical success factor in the Vietnamese bond market.

A case of failure and another of success by the same firm VEC in the same year can be typical and a good explanation for our aforesaid view. In the same year of 2009, VEC issued bonds twice to raise : (1) USD 29.27 million from its four-year bond; and (2) USD 23.14 million from a much riskier 15-year bond. The less risky four-year debt asset issue almost failed with as little as 0.7 per cent of the sales succeeded, at a higher coupon rate of 10.5 per cent p.a. However, it is a whole lot riskier 15-year bond worth USD 23.14 million was sold out at a significant reduction in coupon rate, 9 per cent.

3.7 Interest Rate

We should note one more thing in the last point. The increasing attention of the public to corporate bond started with the convertibility option, but would not likely stick to it. Varying coupon rates and a variety of bond maturities have become important for larger portfolio managers to need to diversify their portfolio with some fixed income assets. In the times of turmoil, some high-yield bonds offered the best investment for investors in the medium-run.

Table-8 shows the range of interest rates that corporate bonds in Vietnam offer their bondholders, primarily from 10 to 15 per cent p.a. Four bonds with low rates, mainly issued by SoEs, are provided in Table-9.

Whenever convertibility option is available, bondholders are more willing to accept lower fixed income payoff,

Table-8 : Frequency of Interest Rates

Interest Rates	Frequency
5%	3
8%	10
10%	42
15%	39
20%	3
More	4

Table-9 : The Lowest Rate Issuers

Issuer	Year	Industry	Term	Value (mil. USD)	Interest Rate	Convertible
VCG	2007	Construction	3	62.01	3.0%	No
REE	1996	Construction/ M&E	2	5.00	4.5%	Yes
EVN	1992-1994	Electricity	3	30.23	5.0%	No
BIDV	2000	Banking	5	4.60	5.2%	No

such as in the case of VCG's USD 62.01 million worth of three-year convertible bond, offered at 3 per cent annual coupon. Given the range of inflation in Vietnam running from 6 to 12 per cent annually, most bonds carry an annual payment of 8 per cent or above, except convertibles and some bonds offered in US Dollars.

Coupon rates vary between different groups of issuers and depend on the inflation trend in the economy. The year 2008 showed wide varying bond rates and serious liquidity problems among corporate bonds when the credit crunch was getting serious and banking rates exploded (Vuong & Tran, 2009). In the times of continuous base rate adjustments, most of the corporate bond issues failed. In times of liquidity shortage, corporate bond interest loses its attraction, even if issuer proves itself highly financially viable and the rate is substantially higher than normal standard. It is because investors are not ready for holdings of longer-term debt asset and tend to seek arbitrage opportunities appearing in the financial market. The case of highly regarded real estate firm Hoang Anh Gia Lai (HAG on HOSE) suggested that, given a very high 21 per cent annual coupon rate

Table-10 : The Highest Interest Rates Issuers

Issuer	Year of Issuance	Term in years	Value (mil. USD)	Interest Rates (% p.a.)	Condition
VIC	2008	5	122.63	16.0	Floating rate
VEC	2008	4	30.66	16.0	Coupon
PVF (PVN)	2008	3	–	17.5	Floating rate
HAG	2008	2	39.86	20.5	Floating rate
Hoang Thach Cement	1994	3	3.92	21.0	–
Anh Son Cement	1994	3	0.68	21.0	–
HAG	2008	3	–	21.0	Floating rate

for a three-year maturity, the firm still failed to obtain the debt finance *via* bond issues.

4. Insights and Implications for Vietnam's Corporate Bond Market

We now reach some implications drawn upon the analysis of the Vietnamese corporate bond market.

4.1 Economic Variables and the Bond Market Performance

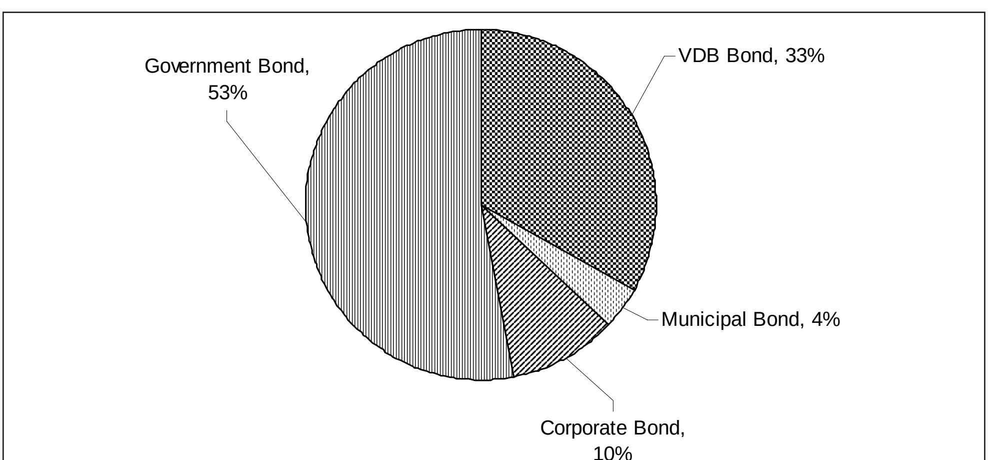
Interest rates on the corporate bond markets could easily be distorted by the influences from the state ownership in larger firms and from the speculators in speculative markets, such as equity exchange. Over the sample of observations, most of the times, bond prices rarely reflected the supply-demand equilibrium. Risk consideration by market participants has thus far been distorted by rent-seeking forces available in the marketplace; leading to the reality that riskier assets may show up with lower financial compensation. The VEC four-year bond at 16 per cent p.a. in comparison with HAG two-year bond at 20.5 per cent p.a., both issued in 2008, could be indicative.

The state also represents a force in the marketplace since it could reduce SoEs' bond risk substantially. In fact, in the secondary market for corporate bonds, all 11 listed assets belong to leading state-run firms, PVN, EVN, VEC and BIDV. The structural issue of the long-term debt market would likely remain if the state continues to guarantee large SoEs' borrowings. However, the government also faces a dilemma since poor-performing is likely to need more debt finance *via* bond issuing. But guaranteeing these issues would subsequently lead to a gradual degrading of the state's financial credibility by itself. In fact, the state's guarantee in capital markets such as bonds would tend to cause negative impacts on their path of development. On the one hand, structural issues and inequalities widen. On the other hand, it serves to be a kind of financial subsidy that destroys motivations of many bond market participants, including the subsidized ones (since guaranteed issuers would soon reach their debt limits and still find no motivation for improving their financial performance.)

The observation from our sample also provides another insight that the state not only intervenes in the bond market with its powerful budget and policies, but also competes directly with enterprises, from time to time and this is a typical contradiction of a centrally planned economy in transition like Vietnam. Figure-5 shows the shares of different types of bonds in the economy where the government bonds clearly outweigh the rest.

Mises (1949) and Klein (1999) argue that just focusing on production and pricing decisions within a given structure of capital means ignoring the vital role of capital markets. As to Mises (1949, pp. 698-715), the mission of a market system is not the pricing of consumer goods but allocating financial capital among different industries. A well-functioning capital market, that is allocating resource efficiently, would facilitate economic growth. To this end, state intervention and competition in corporate bond markets should be reduced. Otherwise, non-market and non-competitive rent-seeking would exacerbate the problem of resource misallocation.

Figure-5 : Structure of the Vietnamese Bond Market



Source : Vietnam's Ministry of Finance, August 2009.

4.2 Investment Psychology

Investment psychology has become one of the most important factors that drive the financial markets in Vietnam today. However, investors' sentiment has strongly been influenced by 'herd mentality' as has been proved statistically by the stock market (Farber *et al.*, 2006; Vuong & Pham, 2009).

The psychology could produce a profound impact on the corporate market. The majority of individual investors do not pay attention to the corporate bonds since they would mainly seek capital appreciation with the philosophy 'The riskier, the higher return'. Liquidity of bonds is thus a problem of not only the corporate sector, but also government debt. In the past, when liquidity almost ceased to exist, bondholders found ways to 'improve' their liquidity by using illiquid government (then compulsory) bonds, which became cash in wedding ceremonies, where invited guests were supposed to give the couple bonds as 'cheers money'[9].

In the primary market, almost all announcements of corporate bond issue in Vietnam provide no information about the listing plan. Only a handful of international issues of Vietnamese corporate bonds announce their listing schedules. It seems that issuing results have been arranged between issuers and market-makers before the issuance goes to public. This characteristic of corporate bond primary market may result from relationship-based business culture in the Confucian society of Vietnam (Vuong & Tran, 2009b). There are a limited number of commercial banks and securities companies dealing with corporate bond. Only corporations that possess 'trustworthy' track records or established relationship with dealers are able to issue bonds. This rent-seeking behaviour explains why most bond issuers are large and popular corporations. However, the dominance of large issuers may indicate misallocation and inefficiency of resources. If large corporations take full advantages of government support, bank credit, equity offerings and debt financing, then financial resources for entrepreneurs and SMEs are obviously exhausted. The long-standing structural problem of the Vietnamese banking system is not phenomenal but quite universal in the overall financial system (Vuong & Pham, 2009).

Although bond trading is mainly for institutional investors, the liquidity of secondary bond market depends on the interest of individual investors as a major force of Vietnamese securities markets. It is not only the high value of a bond transaction but also the narrow ask-bid spreads which prevent people from investing in corporate debts. Many Vietnamese consider stock market to be just another gamble but legally-accepted and socially-respected. As to the former, people request high returns in a short period. Corporate debts, of course, are less attractive than equity. Most corporate bonds issued in 2010 are convertible. Maturities are sometimes short, two or even one year. It seems that people consider those bonds as stocks not debts.

This also explains why convertible bonds can be issued easily at considerable lower interest rates. Stock speculation gains will offset the lower capital gains. As to the latter, being securities investor is a quick and easy way to be perceived as a rich and knowledgeable person. People who live on winnings of various gambles, namely lottery, playing cards, lotto-derivatives and so on, are often perceived unemployment and at a lower social class. Therefore, people are interested in investment games which are daily and easy to enter with a small amount of money. Again, equity investment is better than giving debt to a corporation. While buying and selling stocks on a daily basis, people become the so-called 'professional investors' without working for any financial institution.

4.3 On the Entrepreneurship Development

SMEs and entrepreneurs are increasing their important role in the transition economy of Vietnam (Vuong, 1998c, and Vuong & Pham, 2009). Equivalently, their demand for capital increases from millions US Dollars (Vuong, 1997a) to tens of, even hundreds of millions US Dollars (Vuong & Pham, 2009). Such capital need could be fulfilled by equity and debt offerings. Mergers and Acquisitions (M&A) is a financing source for SMEs but not a substitution of long-term debts because of its equity nature. Moreover, Vuong *et al.,* (2010) reveals that the development of Vietnamese entrepreneurship should not rely on such financial channels. To this end, corporate bond can be of help.

In the case of Vietnam's emerging market, where the majority of non-state firms have been classified into privately-run or joint stock SMEs, the inquiry into the entrepreneurial nature of bond as a debt financing option may well be relevant. A claw-back term, as described by Goyal *et al.* (1998), enables private corporations to re-distribute their wealth better among their shareholders and bondholders, given the fact that informational asymmetries may cause the problem of undervaluation of corporate owners. In the start-up stage, capital input is so essential that 'expensive' debts are accepted. Then in the expansion stage, with the increase in production and prices, equity offerings, particularly Initial Public Offerings (IPOs), make the corporations wealthier. The prices of their equity are higher. Thus creative entrepreneurs take the opportunity to reduce cost of capital by using proceeds obtained from equity offerings to redeem expensive debts. By this claw-back mechanism, the liquidity of corporate bond market may also improve a great deal; the reality that we wish to see in the path of debt market development. When more issuers are ready to pay higher interest rates since they still have chance to re-schedule and reduce debt payments in future, an increasing number of investors would likely pay attention to risky corporate bonds, for example, bonds backed by intangible and illiquid assets, because of both higher interest rates and sooner re-payments.

Our data analyses, however, show that bond issuing is not a realistic financing option for entrepreneurial enterprises, particularly at their early stage. Corporate bond issuers, both state and non-state, are large and popular corporations who are able to build close and trustworthy relationships with market dealers and institutional investors. The structural problem is that those issuers have already received capital through various channels, from state subsidies and transfers to favourable commercial bank credit and high price equities. If they dominate the corporate bond market also, then there is little chance for newly-born and small-scale corporations. Meanwhile their efficiencies of performance are still questionable.

Bond issuing of SoEs or equitized SoEs even worsens the situation. Managements of the issuers may abuse their advantages to mobilize as much fund as possible. Then they use such financial resource to create a business growth at a low level of efficiency, for example, waste investment and high agency costs. Vinashin is a typical case. The corporation absorbed USD 660.60 million corporate bonds in 2004-2008, plus a transfer of USD 750 million from government international bond in 2005. But it has been in serious debt trouble in 2009. In this case, the 'convertible term' which usually attracts attention of investors may provide management with a comfortable solution. That is converting debt into equity. The losses will be distributed over bondholders (now become shareholders) and existing shareholders who are the state as well as institutional and individual investors.

The dominance of SoEs and large corporations in corporate bond market could be considered as a monopoly under the analytical framework of Hayek (1948) and Kirzner (1973). When the demand curve is not perfectly elastic, it is difficult to distinguish a rent-seeking from a profit-seeking activity. But both activities result in higher transaction cost which eliminates SMEs and entrepreneurs from the list of bond issuers.

5. Conclusion

In this paper, we have discussed various aspects of corporate bond markets in Vietnam's transitional economy. Despite its appearance in 1992-1994, corporate bond is still not a popular financial vehicle to Vietnamese business community. Frequency and size of issues kept rising since 2006, in line with the surge of VSM.

The large SoEs, for example EVN, BIDV, PVN and Vinashin, to name a few, came first in exploring the bond market capacity. The most active bond issuers in the industries are characterized by : (i) monopoly by state or by nature; (ii) having large financing need; (iii) close link to state ownership; and (iv) being defined as strategic fields of development by the government. In addition, state-run firms tend to have a higher success rate of bond issuing in comparison with their private counterparts.

Our observation unveils that the state not only intervenes in the bond market with its powerful budget and policies, but also competes directly with enterprises, from time to time. The dominance of SoEs and large corporations in corporate bond market, in addition, prevents SMEs from this debt financing option.

Convertibility option raises public attention to corporate bond. Whenever a convertible term is available, bondholders are more willing to accept lower fixed income payoff. But they are not likely to stick to it. On the one hand, prospective bondholders could value the holdings of equity when realized favourably *ex ante*, especially when the underlying stock flies high. On the other hand, the applicable coupon rate for such bond could turn out negative inflation-adjusted payoff when tight monetary policy is exercised and the corresponding equity holding turns out valueless, *ex post*.

Given the weak primary market and virtually non-existent secondary market, the corporate bond market in Vietnam reflects our perception of the relationship-based and rent-seeking behaviour in the financial markets, since only a number of large commercial banks and their securities subsidiaries dominate the total corporate bond primary market. For the corporate bonds to really work, they critically need a higher level of liquidity to become truly tradeable financial assets.

Notes

1. National Association of Securities Dealers (USA) began to publicly report transactions in about 500 corporate bond issues through the Trade Reporting and Compliance Engine on July 1, 2002.

2. Dan Houtte, Vuong & Partners is a Hanoi-based business consulting and economic research company.

3. We update data set with 12 entries of 2010 but do not integrate those into our analyses.

4. This VIC convertible bond offering also marks the first successful sale of domestic corporate bond issued in an international debt market. REE Corp's convertible issue in 1996 could be considered similar to VIC, but of much smaller scale and to only a single buyer, Dragon Capital-managed VEIL.

5. A top senior manager of VEC was arrested in early 2006 for being engaged in illegal gambling with a large amount in the infamous multi-million dollars corruption case at Vietnam's PMU-18.

6. By direct interviewing the Head of corporate bond section at BIDV Securities (BSC) we also learn that even professionals at institutional investor also experienced shortage of secondary market transaction data. Furthermore, trading of corporate bonds has not been conducted in an organized manner with proper routine.

7. In fact, VIC bond issues could be classified into 'Real estate' but no formal information confirming this is available, we put it in 'Others'.

8. In June 2008, some commercial banks had to offer short-term deposit rate of above 20 per cent p.a. to improve short-term liquidity from the populace (Vuong & Tran, 2009a).

9. The couple of course could not spend these bonds and had only an option of holding them until maturity; a possibility that is highly unlikely (Tuoi tre, Oct. 7, 2005).

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Appendix : Dataset of Vietnamese Corporate Bonds (1992-2010)

No.	Issuer	State Owner-ship	Listed	Under-writer	Industry	Year Issuance	Maturity Year	Value (mil. USD) Expected	Value (mil. USD) Successful	Money Unit	Status	Interest Rates	Technical Terms	Location
1	EVN	1	0		Electrics	1992-1994	3		30.23	VND	Success	3.8-5		Vietnam
2	Hoang Thach Cement	1	0		Cement	1994	3		3.92	VND	Success	21.0		Vietnam
3	Anh Son Cement	1	0		Cement	1994	3		0.68	VND	Success	21.0		Vietnam
4	REE	1	0		Home appliance	1996	2		5.00	USD	Success	4.5	Convertible	Vietnam
5	Southern Steel Co.	1	0		Steel	1995	3		0.47	USD	Success	–		Vietnam
6	Yali Hydro Power	1	0		Electrics	1995-1996	3		18.03	VND	Success	8.5		Vietnam
7	Khanh Hoa Tourist Co.	1	0		Tourism	1998	5		1.88	VND	Success	–		Vietnam
8	Information Tech. EIS	0	0		IT	1998			0.75	VND	Success	–	Convertible	Vietnam
9	Phuc Son Cement	1	0		Cement	1997-1998	3		4.75	VND	Success	14.0		Vietnam
10	Vietnam Int' Leasing Co.	0	0		Finance	1999	5		0.72	VND	Success	11.0		Vietnam
11	BIDV	1	0		Banking	2000	5		70.70	VND	Success	7.5		Vietnam
12	BIDV	1	0		Banking	2000	5		4.60	USD	Success	5.2		Vietnam
13	Information Tech, EIS	0	0		IT	2001		0.68	–	VND		8.0	Convertible	Vietnam
14	EVN	1	0		Electrics	2003	–		19.33	VND	Success	–		Vietnam
15	PVN	1	0	BIDV	Petroleum	2003	5		219.07	VND	Success	8.7	Floating rate	Vietnam
16	Agribank	1	0		Banking	2006	–	313.19		VND		–		Vietnam
17	VICEM	1	0		Cement	2003	–		12.89	VND	Success	–		Vietnam
18	GERUCO	1	0	VCBS	Rubber	2004	3	2.54	2.54	VND	Success	8.6	Coupon	Vietnam

(Contd...)

19	Vinashin	1	0		Ship building	2004	2		19.08	VND	Success	8.2	Coupon	Vietnam
20	EVN	1	0		Electrics	2005	5		12.64	VND	Success	8.8	Coupon	Vietnam
21	Vinashin	1	0		Ship building	2005	2	63.22	18.96	VND	Success	–	Coupon	Vietnam
22	Vinashin	1	0		Ship building	2005	2		18.96	VND	Success	–	Coupon	Vietnam
23	Vinashin	1	0		Ship building	2005	2		25.29	VND	Success	–	Coupon	Vietnam
24	Song Da Corp.	1	0	Vietcombank	Construction	2005	3	12.64	12.64	VND	Success	9.3	Coupon	Vietnam
25	VCB	1	1		Banking	2005	7	86.29	86.29	VND	Success	6.0	Convertible	Vietnam
26	Song Da Corp.	1	0		Construction	2005	5		16.44	VND	Success	10.5	Floating rate	Vietnam
27	BIDV	1	0		Banking	2006	10	62.64	62.64	VND	Success	9.8	Callable	Vietnam
28	BIDV	1	0		Banking	2006	15	62.64	62.64	VND	Success	10.2	Callable	Vietnam
29	BIDV	1	0		Banking	2006	–	6.26	6.26	VND	Success	–	Callable	Vietnam
30	CII	0	1		Infrastructure	2006	3	8.21	8.21	VND	Success	8.0	Convertible	Vietnam
31	ACB	0	1		Banking	2006	5	103.35	–	VND		8.0	Convertible	Int'
32	EVN	1	0	Deutsche Bank	Electrics	2006	10	62.64	62.64	VND	Success	9.6	Floating rate	Vietnam
33	SCB	0	0		Banking	2006	1.1	62.64	62.64	VND	Success	8.5	Convertible	Vietnam
34	EVN	1	0	VietinBank	Electrics	2006	5	–	21.92	VND	Success	9.6	Floating rate	Vietnam
35	EVN	1	0		Electrics	2006	5	–	31.32	VND	Success	9.6	Floating rate	Vietnam
36	EVN	1	0		Electrics	2006	5	–	72.03	VND	Success	9.6	Floating rate	Vietnam
37	EVN	1	0		Electrics	2006	5	–	56.37	VND	Success	9.5	Floating rate	Vietnam
38	EVN	1	0		Electrics	2006	5	–	37.58	VND	Success	9.6	Floating rate	Vietnam
39	EVN	1	0		Electrics	2006	5	–	31.32	VND	Success	9.6	Coupon	Vietnam

(Contd...)

40	EVN	1	0		Electrics	2006	10	62.64	62.64	VND	Success	10.0	Floating rate	Vietnam
41	EVN	1	0		Electrics	2006	10	–	62.64	VND	Success	9.7	Coupon	Vietnam
42	Agribank	1	0		Banking	2006	–		187.91	VND	Success	–	Convertible	Vietnam
43	SSI	0	0		Finance	2006	1	9.40	9.40	VND	Success	–	Convertible	Vietnam
44	SSI	0	0		Finance	2006	2	9.40	9.40	VND	Success	–	Convertible	Vietnam
45	SSI	0	0		Finance	2006	3	12.53	12.53	VND	Success	–	Convertible	Vietnam
46	Vinashin	1	0		Ship building	2006	2	–	31.32	VND	Success	9.6	Coupon	Vietnam
47	Vinashin	1	0		Ship building	2006	2	–	18.79	VND	Success	9.6	Coupon	Vietnam
48	Vinashin	1	0		Ship building	2006	5	–	31.32	VND	Success	10.0	Coupon	Vietnam
49	Vinashin	1	0		Ship building	2006	10	–	62.64	VND	Success	10.5	Coupon	Vietnam
50	Vinashin	1	0		Ship building	2006	2	–	18.79	VND	Success	9.6	Coupon	Vietnam
51	Vilexim	1	0		Trading	2007	3	–	0.31	VND	Success	–		Vietnam
52	Vinashin	1	0	Habubank	Ship building	2007	5	–	31.00	VND	Success	10.0	Coupon	Vietnam
53	EVN	1	0		Electrics	2007	–	300-500	–	USD		–		Vietnam
54	Lilama	1	0	Habubank	Construction	2007	5	–	31.00	VND	Success	9.6	Coupon	Vietnam
55	Vinashin	1	0	Deutsche Bank	Ship building	2007	10	186.02	186.02	VND	Success	9.0	Coupon	Vietnam
56	VN Steel Corp.	1	0	Vietcombank	Steel	2007	5	24.80	24.80	VND	Success	9.5	Coupon	Vietnam
57	Lilama	1	0	Habubank	Construction	2007	10	62.01	62.01	VND	Success	9.2	Coupon	Vietnam
58	MB	0	0		Banking	2007	2	26.04	26.04	VND	Success	8.0	Convertible	Vietnam
59	Vinacomin	1	0		Mining	2007	10	93.01	93.01	VND	Success	9.5	Coupon	Vietnam
60	CII	0	1	VIP Bank	Infrastructure	2007	7	–	31.00	VND	Success	10.3	Coupon	Vietnam

(Contd...)

61	Techcombank	0	0	HSBC	Banking	2007	–	186.02	–	VND		–		Vietnam
62	BIDV	1	0		Banking	2007	5	186.02	186.02	VND	Success	8.2	Coupon	Vietnam
63	VCG	1	0	BIDV	Construction	2007	3	62.01	62.01	VND	Success	3.0	Convertible	Vietnam
64	Lilama	1	0	Habubank	Construction	2007	5	31.00	31.00	VND	Success	8.8		Vietnam
65	ACB	0	1	Standard Chartered	Banking	2007	5	–	139.52	VND	Success	8.6	Coupon	Vietnam
66	SCB	0	0		Banking	2007	1	86.75	86.75	VND	Success	8.5	Convertible	Vietnam
67	MB	0	0		Banking	2007	2	35.96	35.96	VND	Success	8.0	Convertible	Vietnam
68	CII	0	1		Infrastructure	2007	7	–	61.02	VND	Success	–	Coupon	Vietnam
69	VIC	0	1	BIDV and ANZ	n.a	2007	5	62.01	62.01	VND	Success	10.5	Coupon	Vietnam
70	IFS	0	1		Food	2007	3	15.50	–	VND		9.3-9.6	Coupon	Vietnam
71	IFS	0	1		Food	2007	5	24.80	–	VND		9.7-10.0	Coupon	Vietnam
72	VEC	1	0	Habubank	Infrastructure	2009	15	–	23.42	VND	Success	9.0	Coupon	Vietnam
73	MPC	0	1	VIBBank	Seafood	2007	5	31.00	–	VND		10.0	Coupon	Vietnam
74	Vinashin	1	0		Ship building	2007	2	–	12.40	VND	Success	8.9	Coupon	Vietnam
75	Vinashin	1	0		Ship building	2007	10	–	186.02	VND	Success	9.4	Coupon	Vietnam
76	Sacomreal (Sacombank)	0	0		Real estate	2008	0.5	6.13	6.13	VND	Success	8.8	Convertible	Vietnam
77	Sacomreal (Sacombank)	0	0		Real estate	2008	0.8	45.99	–	VND		12.0	Convertible	Vietnam
78	VIC	0	1		n.a	2008	5	122.63	122.63	VND	Success	16.0	Floating rate	Vietnam
79	Techcombank	0	0		Banking	2008	–	306.58	–	VND	Plan	–		Vietnam
80	VISCOSTONE (VCG)	1	0		Cons. material	2008	3	6.13	6.13	VND	Success	10.5	Convertible	Vietnam
81	NBB	0	1		Real estate	2009	3	17.56	17.56	VND	Success	11.5	Floating rate	Vietnam

(Contd...)

82	VEC	1	0	Government	Infrastructure	2008	–	30.66	–	VND	Failed	–	Coupon	Vietnam
83	VEC	1	0	Government	Infrastructure	2008	4	30.66	30.66	VND	Success	16.0	Coupon	Vietnam
84	VIC	0	1		n.a	2008	–	80.00	–	USD	Plan	–	Convertible	Vietnam
85	FPC	0	1		Construction	2008	3	24.53	–	VND	Plan	–		Vietnam
86	PVF (PVN)	1	1		Finance	2008	3	98.11	–	VND		17.5	Floating rate	Vietnam
87	HAG	0	1		Real estate	2008	2	39.86	39.86	VND	Success	20.5	Floating rate	Vietnam
88	HAG	0	1	BIDV	Real estate	2008	3	–	–	VND	Success	21.0	Floating rate	Vietnam
89	Saigon Bank	0	0		Banking	2008	–	61.32	–	VND	Plan	–	Convertible	Vietnam
90	Viet A Bank	0	0		Banking	2008	–	24.53	–	VND	Plan	–	Convertible	Vietnam
91	Vinashin	1	0		Ship building	2008	–	400.00	–	USD	Plan	–		Vietnam
92	HAG	0	1		Real estate	2008	3	21.46	21.46	VND	Success	12.8	Floating rate	Vietnam
93	HAG	0	1		Real estate	2008	2	–	–	VND	Success	12.3	Floating rate	Vietnam
94	FPC	0	1		Construction	2009	3	14.05	–	VND	Plan	–		Vietnam
95	EVN	1	0		Electrics	2009	5	29.27	29.27	VND	Success	–	Floating rate	Vietnam
96	MB	0	0		Banking	2009	–	292.74	–	VND	Plan	–		Vietnam
97	VPL	0	1	BIDV	Real estate	2009	5	58.55	58.55	VND	Success	10.1	Coupon	Vietnam
98	EVN	1	0	ANZ	Electrics	2009	5	–	204.92	VND	Success	10.4	Floating rate	Vietnam
99	Vinacomin	1	0	Citi bank	Mining	2009	5	–	68.50	VND	Success	10.5	Floating rate	Vietnam
100	Vinacomin	1	0	Citi bank	Mining	2009	5	–	19.32	VND	Success	10.5	Coupon	Vietnam
101	Techcombank	0	0		Banking	2009	–	468.39	–	VND	Plan	–		Vietnam
102	MB	0	0	ANZ	Banking	2009	2	–	58.55	VND	Success	10.0	Coupon	Vietnam

(Contd...)

103	KBC	0	1	VietinBank	Real estate	2009	5	–	40.98	VND	Success	11.5	Coupon	Vietnam
104	VEC	1	0		Infrastructure	2009	3	87.82	–	VND	Failed	–		Vietnam
105	MCG	0	1		Construction	2009	3	5.85	–	VND	Plan	12.0	Convertible	Vietnam
106	HSG	0	1		Cons. material	2009	–	7.26	–	VND	Plan	–	Convertible	Vietnam
107	SJS	1	1		Construction	2009	3	29.27	29.27	VND	Success	12.5	Floating rate	Vietnam
108	Habubank	0	0		Banking	2009	–	146.37	–	VND	Plan	–	Coupon	Vietnam
109	KSH	0	1		Mining	2009	3	17.56	–	VND	Plan	12.0	Floating rate	Vietnam
110	KSH	0	1		Mining	2009	4	17.56	–	VND	Plan	12.0	Floating rate	Vietnam
111	KSH	0	1		Mining	2009	5	23.42	–	VND	Plan	12.0	Floating rate	Vietnam
112	HBC	0	1		Construction	2009	5	1.76	1.76	VND	Success	–	Convertible	Vietnam
113	SDFC (Song Da Corp.)	1	0		Finance	2009	–	17.56	–	VND	Plan	–		Vietnam
114	Sacombank	0	1		Banking	2009	–	175.65	–	VND	Plan	–		Vietnam
115	KBC	0	1		Real estate	2009	3	–	17.56	VND	Success	12.5	Coupon	Vietnam
116	STL (Song Da Corp.)	1	1		Real estate	2009	3	17.56	17.56	VND	Success	12.5	Floating rate	Vietnam
117	Tin Nghia Group	1	0		Real estate	2009	–	58.55	58.55	VND	Success	–	Coupon	Vietnam
118	Sacombank	0	1	ANZ, Citibank	Banking	2009	2	–	5.85	VND	Success	10.5	Coupon	Vietnam
119	Sacombank	0	1	ANZ, Citibank	Banking	2009	–	–	111.24	VND	Success	–	Floating rate	Vietnam
120	BIDV	1	0	HSBC	Banking	2009	10	–	79.74	VND	Success	10.5	Floating rate	Vietnam
121	VEC	1	0	Government	Infrastructure	2009	3	29.27	–	VND	Failed	–		Vietnam
122	VEC	1	0	Government	Infrastructure	2009	4	29.27	0.19	VND	Success	10.5	Coupon	Vietnam
123	KBC	0	1		Real estate	2009	5	11.71	11.71	VND	Success	12.5	Coupon	Vietnam

(Contd...)

124	Tin Nghia Group	1	0		Real estate	2009	5		29.27	VND	Success	–		Vietnam
125	VN Steel Corp.	1	0	Habubank	Steel	2009	3	58.55	58.55	VND	Success	–		Vietnam
126	Generalexim	1	0		Trading	2009	–		2.84	VND	Success	–	Convertible	Vietnam
127	Maritime Bank	0	0		Banking	2009	2	105.39	105.39	VND	Success	–	Floating rate	Vietnam
128	Maritime Bank	0	0		Banking	2009	5	17.56	17.56	VND	Success	12.5	Floating rate	Vietnam
129	HUD	1	0		Real estate	2009	3	29.27	29.27	VND	Success	12.5	Floating rate	Vietnam
130	FPT Corp.	0	1	ANZ		2009	3		105.39	VND	Success	7.0	Convertible	Vietnam
131	FBS/GamiLand	0	0		Real estate	2009	3	17.56	17.56	VND	Success	–		Vietnam
132	ASP	0	1		Gas production	2009	–		5.85	VND	Success	13.2	Floating rate	Vietnam
133	STL (Song Da Corp.)	1	1		Real estate	2009	3		17.56	VND	Success	13.0	Floating rate	Vietnam
134	Techcombank	0	0		Banking	2009	3	122.95	122.95	VND	Success	10.5	Floating rate	Vietnam
135	Habubank	0	0		Banking	2009	2	58.55	58.55	VND	Success	10.5	Coupon	Vietnam
136	VIC	0	1	Credit Suisse	Real estate	2009	5	150.00	100.00	USD	Success	6.0	Convertible	Int'
137	SCB	0	0		Banking	2009	–	58.55	58.55	VND	Success	8.5	Convertible	Vietnam
138	VISCOSTONE (VCG)	1	0		Construction	2009	1	9.08	–	VND	Plan	9.0	Convertible	Vietnam
139	Viet A Bank	0	0		Banking	2009	1	15.92	–	VND	Plan	10.0	Convertible	Vietnam
140	KBC	0	1		Real estate	2009	5	23.42	23.42	VND	Success	12.0	Coupon	Vietnam
141	BCI	0	1		Real estate	2009	–	17.56	–	VND	Plan	–	Callable	
142	NovaLand	0	0		Real estate	2009	5	–	112.53	VND	Success	12.0	Coupon	Vietnam
143	VIC	0	1		Real estate	2009	3	58.55	–	VND	Plan	–		
144	Phuong Dong Bank	0	0		Banking	2009	1	35.13	–	VND	Plan	10.5	Convertible	Vietnam

(Contd...)

145	KBC	0	1		Real estate	2009	5	29.27	1.71	VND	Success	13.8	Coupon	Vietnam
146	KBC	0	1		Real estate	2009	3	17.56	1.03	VND	Success	12.0	Coupon	Vietnam
147	NBB	0	1		Real estate	2009	3	14.64	0.86	VND	Success		Floating rate	Vietnam
148	NBB	0	1		Real estate	2009	4	8.78	0.51	VND	Success		Floating rate	Vietnam
149	Tin Nghia Group	1	0	EPS/BNP Paris	Real estate	2007		248.03		VND	Plan			Int'
150	Vinatex	1	0	EPS/BNP Paris		2007		62.01		VND	Plan			Int'
151	Vinatex	1	0	EPS/BNP Paris		2008		490.53		VND	Plan			Int'
152	Tin Nghia Group	1	0		Real estate	2009		17.56		VND	Plan			Vietnam
153	CTG	1	1		Banking	2010	2	160		VND	Plan		Floating rate	Vietnam
154	Habubank	0	0		Banking	2010	1	55		VND	Plan	10.49	Convertible	Vietnam
155	CII	1	1		Infrastructure	2010	5	20-25		USD	Plan	4	Convertible	Vietnam
156	CFC	1	1		Cement	2010		26		VND	Plan			Vietnam
157	TMS	0	1		Logistics	2010	2	5		VND	Plan	8	Convertible	Vietnam
158	REE	1	1		General	2010		42		VND	Plan		Convertible	Vietnam
159	DXG	0	1		Real estate	2010		26		VND	Plan			Vietnam
160	Vinalines	1	0	Standard Chartered	Logistics	2010	3	55	55	VND	Success	14.5	Fixed and floating rate	Vietnam
161	Hamico	1	1		Import-export	2010	1	3		VND	Success	8		Vietnam
162	Song Da Group	1	0	ANZ	Real estate	2010	5	79	79	VND	Success	15	Fixed and floating rate	Vietnam
163	TDH	0	1		Real estate	2010	3	32		VND	Plan		Convertible	Vietnam
164	IFS	0	1	ANZ	Food processing	2010				USD	Failed			Vietnam

* Note : 12 entries were updated for 2010. These figures were not included in the analyses. However, the authors affirm the previous insights and conclusions.