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Sustainable development of stock market: Research in Vietnam stock market

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Abstract

The continuous development of financial instruments leads to more and more new factors that can destabilize the global financial system. Therefore, the development of a quality and sustainable stock market is considered the goal of not only countries with a long history of stock market formation such as the United States, the United Kingdom, and Germany, but also the goal of other emerging market countries, including Vietnam. In the context of increasingly

complex world economic and political developments, the process of international integration is increasingly deep, one of the requirements for the Vietnamese stock market management agency is to ensure the market develops safely and sustainably; at the same time, promptly detect and prevent market instability, promoting the sustainable development of the economy.

Keywords: Stock Market, financial Instruments, Financial System

Introduction

The deep and wide integration of Vietnam's economy with the world economy brings both opportunities and challenges in sustainable economic development. Along with the risk of global financial crises that have a great impact on the national economy, the need to implement a sustainable development strategy for the stock market has become extremely necessary. The continuous development of complex financial instruments creates many new factors that can destabilize the financial system and the economy, while the connection between financial sectors around the world makes countries increasingly pay attention to the sustainable development of the stock market. The stock market plays an important role in economic development and growth by providing a channel for capital mobilization and effective capital allocation and is a barometer of the economy, meaning that developments in the stock market can reflect changes in the economy and vice versa. Thus, the development of a quality and sustainable stock market is considered the main goal not only of countries with a long history of stock market formation such as the US, UK, Germany but also of other emerging market countries including Vietnam. However, the changes over time in the structure, operation and connection of Stock Exchanges and Stock Markets in the context of an unsustainable economic growth path in both social and environmental aspects lead to the fact that the unsustainable development of the stock market is the main factor causing instability in the regional and world economies such as the Asian financial and monetary crisis (1997), the global financial crisis (2008). The Vietnamese stock market is also among them, with the impacts from the complicated developments of the world economic and political situation in the context of the Vietnamese economy and stock market increasingly integrating deeply with the world economy and international financial markets. Therefore, one of the requirements for the Vietnamese stock market is to ensure the market develops safely and sustainably, promptly detect and prevent market instability, take measures to prevent the risk of a stock market crisis, and promote the sustainable development of the economy.

1. Some theoretical issues on sustainable development of stock market

Concept of sustainable development

The concept of "sustainable development" was popularized in 1987 through the Brundtland Report (also known as the Our Common Future Report) of the World Commission on Environment and Development - WCED (now the Brundtland

Commission). Accordingly, sustainable development is: "Development that can meet the needs of the present without compromising the ability of future generations to meet their own needs...". In other words, sustainable development is stable development, considered in both space and time, demonstrating the "long-term" characteristics of development. Sustainable development must ensure effective economic development, social equity and environmental protection and preservation.

Viewpoint on sustainable development of stock market

Currently, there are many different views on sustainable development of the stock market. Sustainable development of the stock market is understood as maintaining stable development while establishing the ability to control and prevent risks of collapse for the stock market (Nguyen Thuy Linh, 2013). Meanwhile, according to the World Bank's viewpoint, sustainable development satisfies current needs without reducing the ability to satisfy the needs of future generations.

A sustainable stock market is one that can encourage and regulate capital flows towards sustainable development goals and allocate capital effectively. Sustainable development of the stock market is maintaining the stable and safe development of the stock market while ensuring economic, environmental and social issues.

Characteristics of sustainable development of stock market

1. The values that the market creates sustainably: These are responsibility and transparency, compatibility and efforts in trying to achieve industry standards; comprehensiveness in integrating sustainable development goals into all company values, appropriateness in recognizing added values of sustainable development, timeliness expressed in the quick and timely recognition of all events that are meaningful to sustainable development.
2. Risks of market instability are always warned and eliminated: The stock market will develop stably and safely if it knows how to harmonize the interests of market participants including: State management agencies, exchanges, securities companies, banks, financial institutions, listed enterprises and investors.
3. Public confidence must be sustained: All market participants, from businesses to financial intermediaries and investors, must understand the importance of risk management and implement it effectively.
4. A sustainable stock market is a highly transparent market: A transparent stock market will help attract more investors.
5. High-level market management and supervision: Management regulations are an indispensable factor for a sustainable stock market development. The existence of a complete, strict and effective regulatory system to implement a complete and comprehensive supervision mechanism is an attribute of a sustainable stock market.

According to the International Organization of Securities Commissions (IOSCO), a sustainable stock market helps protect investors, ensure fair, transparent, and efficient market operations, and reduce systemic risks. To achieve this goal, regulators need to build a sustainable market model based on the principles of sustainable stock market development. Accordingly, IOSCO has proposed 30 principles for stock market management^{*2}, based on the goals of protecting investors; ensuring fairness, efficiency, and transparency; and minimizing systemic risks, thereby

helping to develop the stock market sustainably.

2. International experience in sustainable development of stock market

2.1 Perfecting the legal system on the stock market

The primary objective of the securities law system is to prevent such fraud through full disclosure, setting standards and preventing abuse. Another important objective of securities law is to predict and prevent systemic risk. Over time, securities regulations must also continuously evolve to meet international standards, investment trends and constantly changing risks. On that basis, countries in the Asian region have also made efforts to improve securities laws to meet market needs and prevent the spread of risks arising from possible domestic and international financial crises.

2.2 Increase supply of goods, improve quality of supply

2.2.1 Encourage the development of new products.

Developing new products is a priority for countries in the Asian region to have a liquid stock market and ensure sustainable development. The Securities and Exchange Commission of Thailand has focused on legal regulations for the development of derivative products such as futures, options, etc. and other financial instruments. In 2003, the Derivatives Law was enacted to provide investors with hedging tools, with the aim of protecting investors' rights, and the Thailand Futures Exchange was established in 2004 under the supervision of the Securities and Exchange Commission of Thailand.

The Malaysian government has developed a regulatory framework to encourage the development of new types of products, including real estate investment funds and mortgage-backed debt instruments and asset-backed securities.

The Korean government has expanded investment products by reviewing listing regulations and introducing new derivative products.

2.2.2 Improve the quality of supply, especially focus on developing the corporate bond market

In addition to developing new products to meet the growing needs of investors, countries in the Asian region also focus on developing the bond market, especially well-developed corporate bonds that will promote the efficiency of corporate financial structures. In addition, the presence of rating agencies and the growth of financial derivatives markets are important in reducing systemic risks and avoiding crises. After the 1997 financial crisis, many countries including Indonesia, Malaysia, the Philippines, Singapore and Thailand began to develop domestic bond markets. Countries focused on developing the bond market with two purposes: (i) Mobilizing capital for the state budget and for enterprises; (ii) Creating a standard market for the financial system, thereby influencing the development of the entire financial and banking system. Countries have synchronized the market, set standards for payment systems, improved transparency and integrated individual markets. As a result, since the late 2000s, the bond market in the region has gradually developed and grown at a faster rate than before.

2.3 Attracting foreign investment

Countries in the Asian region have had different solutions to facilitate foreign investors (FII) to increase access to the stock market, contributing to increasing liquidity in the

market. Measures to attract FDI include: Designing alternative investment products such as non-voting depository receipts (Thailand), non-voting shares (Malaysia); increasing access for FIEs in information disclosure, investment procedures, capital account liberalization and improving market infrastructure.

2.4 Use of transaction regulation mechanism

In addition to some core and long-term solutions as mentioned above, many countries have also used some temporary tools to strongly intervene in the market to maintain the stability of the stock market in case of strong and unexpected price fluctuations due to the crisis from the domestic or global economy. The trading regulation measures that are commonly applied in the world have different advantages and disadvantages, including measures to apply trading margins, market-wide suspension orders, price limits and automatic circuit breakers.

It can be seen that some solutions of countries in the Asian region are still suitable for the Vietnamese stock market such as: Solutions to attract foreign investment capital; solutions to increase the supply of goods; solutions to develop the corporate bond market; strengthen inspection and supervision; strict requirements on corporate governance, protecting the interests of small shareholders. However, how to apply lessons from countries in the region will depend on the practical operations of the Vietnamese stock market.

3. Current status of sustainable development of stock market in Vietnam

The overall objective of the Strategy is to develop a stable, safe, healthy, efficient, sustainable, and integrated stock market; enhance risk tolerance, have a reasonable structure among market components, and become an important medium- and long-term capital mobilization channel, mainly for the economy; maintain growth in scale, focus on improving quality; develop green financial instruments and sustainable finance; promote digital transformation in the securities sector; build a market management and supervision system associated with the application of modern information technology; strengthen international linkages and integration, and gradually narrow the development gap between the Vietnamese stock market and the stock markets of developed countries.

The stock market capitalization will reach 100% of GDP by 2025 and 120% of GDP by 2030. The outstanding debt of the bond market will reach at least 47% of GDP (of which the outstanding debt of corporate bonds will reach at least 20% of GDP) by 2025 and at least 58% of GDP (of which the outstanding debt of corporate bonds will reach at least 25% of GDP) by 2030; The derivatives market will grow by an average of about 20% - 30% per year in the period 2021 - 2030.

The number of securities trading accounts of investors on the stock market will reach 9 million accounts by 2025 and 11 million accounts by 2030, focusing on developing institutional investors, professional investors and attracting the participation of foreign investors. Increase the proportion of government bonds held by non-bank institutional investors to 55% by 2025 and 60% by 2030.

Improve the quality of listed company governance above the average level in Southeast Asia; apply good practices on environmental, social and corporate governance standards

(ESG standards) at the Stock Exchanges and the Vietnam Securities Depository and Clearing Corporation towards sustainable development according to international practices.

Complete the classification of listed stocks at the Stock Exchange in 2025. Strive to upgrade Vietnam's stock market from a frontier market to an emerging market by 2025 according to the stock market classification standards of international organizations. Actively integrate into the world's financial and stock markets, meet financial security requirements, improve competitiveness, risk management, apply international standards and practices; aim to reach the development level of the group of 4 leading countries in the ASEAN region by 2025.

Strengthening capacity for management, supervision, inspection, examination and handling of violations

One of the solutions of the Strategy is to strengthen the capacity of management, supervision, inspection, examination and handling of violations.

Specifically, perfecting the functions, tasks, powers and organizational structure of specialized supervision and inspection agencies in the securities sector, ensuring adequate capacity to enforce the law.

Building a monitoring system connecting the State Securities Commission, Stock Exchanges, Vietnam Securities Depository and Clearing Corporation and market members.

Apply risk-based monitoring methods, build a system of early warning indicators, ensure effective, comprehensive, modern monitoring, and approach international practices.

Strengthening the implementation of inspection, examination and handling of violations comprehensively but with focus and key points, concentrating on cases that have a major impact on the stock market, and strengthening the interconnected supervision between components of the stock market.

Strengthen management and closely monitor the activities of securities companies and fund management companies. Strengthen the management and supervision capacity of management agencies to ensure the stock market operates stably, orderly, safely and transparently, aiming to apply a smart management and supervision system based on digital technology applications in the activities of storing, statistics, data analysis, forecasting and monitoring the stock market.

Establish a coordination mechanism between the Ministry of Finance and relevant ministries and branches to disseminate and monitor the implementation of legal regulations and conduct inter-sectoral supervision to promptly detect and handle violations.

Continue to invest in and upgrade modern information technology systems, ensure security and safety of information technology systems and databases to better serve market management and supervision.

Increase supply of goods to the market and improve the quality of supply

Another solution of the Strategy is to increase the supply of goods to the market and improve the quality of supply.

Specifically, diversifying the commodity base in the market, including developing the stock market, encouraging all types of enterprises to conduct initial public offerings (IPOs) associated with listing and registering for trading on the stock market; attracting large-scale enterprises with good

financial status and corporate governance to list on the stock market; actively supporting the completion of the equitization plan and investment of state capital in accordance with the provisions of the law on equitization.

Regarding the development of the government bond market, issue a variety of terms of government bonds, government-guaranteed bonds and local government bonds to meet the capital mobilization goals of the issuing agency and suit the needs of investors. Study the possibility of issuing new bond products to diversify products on the market.

Regarding the development of the corporate bond market, focus on promoting the public offering of corporate bonds associated with listing; encourage enterprises to issue a variety of bonds suitable to capital mobilization needs; develop corporate bond products for the purpose of implementing projects and investment projects in the form of public-private partnerships (PPP) to promote capital mobilization for infrastructure development; operate a secondary market for individual corporate bonds for professional securities investors to increase market liquidity and transparency.

Developing the green bond market: Encourage the issuance of green government bonds, green local government bonds and green corporate bonds to create additional capital mobilization channels for the budget, for businesses and attract investors towards sustainable economic development goals.

Regarding the development of derivative securities products and new products, continue to deploy futures contracts based on stock indices and government bond futures contracts; gradually deploy stock index option contracts, futures products, option contracts based on single stocks or groups of stocks; improve the quality of current indices, amend the index rules in accordance with international practices, and develop additional underlying indices as underlying assets for the derivatives market...; aim to develop a variety of derivative products based on many different underlying assets.

Research and deploy a variety of secured warrant products, structured products, depository certificates, securities investment fund certificates, and green financial instruments suitable for the development level of the stock market.

Improve transparency and quality of goods, including arranging and classifying listed stocks and stocks registered for trading on the Vietnam Stock Exchange based on scale and quality, while improving listing conditions and conditions for maintaining listing for stocks.

Appraise and closely monitor the issuance of securities; strengthen inspection, examination and supervision of the use of capital for the right purpose according to the issuance plan licensed under the law; inspect and supervise the information disclosure of enterprises raising capital on the stock market; strictly handle violations. Inspect and promptly handle enterprises that do not comply with the law on listing/registration for trading.

Strengthen inspection of compliance with financial reporting information disclosure; inspect and supervise the provision of auditing services by auditing firms and auditors to improve the quality of financial reporting and accounting and auditing services; strictly handle violations by auditing firms and auditors when auditing listed enterprises and public companies.

Approaching international practices and adapting to Vietnamese conditions for accounting and auditing

standards. Applying international accounting standards (IAS) and international financial reporting standards (IFRS) contributes to improving transparency and increasing the effectiveness of information provision for investors.

Improve the quality of information disclosure of public companies on the basis of promoting the dissemination and popularization of regulations on information disclosure; encourage entities to disclose information in English; organize inspections to rectify and remind enterprises, members, major shareholders, insiders, and related persons to fulfill their reporting obligations and disclose information fully and promptly; modernize the information disclosure system of the State Securities Commission to support enterprises and market members to fully disclose information in accordance with regulations.

Coordinate with domestic and foreign units to promote training and propaganda programs on corporate governance, annual corporate governance assessment and ranking programs for listed companies; enhance the role and responsibility of Stock Exchanges in supervising the implementation of regulations on information disclosure and corporate governance.

Improve the quality of public companies' annual reports, aiming at sustainable development factors based on the application of environmental, social and corporate governance standards (ESG standards) according to international practices.

Strengthen the role and responsibility of credit rating organizations in the corporate bond market, moving towards requiring bond-issuing enterprises to be credit rated, forming habits and practices of using credit rating results when issuing and investing in corporate bonds.

Research on organizations providing bond valuation services, organizations providing green bond and sustainable bond valuation services; standardize regulations on the responsibilities of organizations representing bondholders and organizations managing collateral assets to increase professionalism for the corporate bond market.

The Vietnamese stock market has been in operation since 2000. After more than 20 years of operation, it has become a long-term capital mobilization channel for development investment. The scale of capital mobilization through the stock market in the period of 2011 - 2020 reached nearly 2.9 million VND, nearly 10 times higher than in the period of 2000 - 2010, contributing an average of 19.5% of the total social investment ^[1], contributing to restructuring the Vietnamese financial system in a more balanced and sustainable direction.

The stock market is increasingly diversified in terms of traded goods. There are currently more than 1,000 listed and registered stocks on the stock market (by the end of 2020, there were 745 listed stocks and 910 registered stocks) ^[1], including a variety of stocks from different business sectors. In particular, the equitization process of large-scale state-owned enterprises (SOEs) associated with listing on the stock market has created a quantity of quality goods on the market. The total market capitalization of stocks and outstanding bonds at the end of 2020 is estimated at about 131.95% of GDP, accounting for 47% of total assets of the financial system. By the end of 2020, market capitalization reached 64.1% of GDP, 7.3 times higher than in 2010 ^[1].

The Vietnamese stock market has been continuously improving its structure through the formation of market sectors: stock market, bond market and derivatives market.

Although it was established in a short time, the derivatives market has developed rapidly with an average transaction growth rate of 3.3 times/year, providing additional investment tools and effective risk management.

The Vietnamese stock market has developed strongly, becoming an important capital mobilization channel for the economy, with the scale of capital mobilization through the stock market (TTCK) in the period of 2011 - 2020 reaching nearly 2.9 million billion VND, nearly 10 times higher than the period of 2000 - 2010, contributing an average of 19.5% of total social investment capital, contributing to restructuring the Vietnamese financial system in a more balanced and sustainable direction. By the end of 2020, market capitalization reached 84.1% of GDP, 7.3 times higher than in 2010,...

The activities of the stock market are increasingly public, transparent, in line with standards and practices on corporate governance, the management, supervision, inspection and enforcement capacity of state management agencies is enhanced. Management and supervision activities always focus on the stability and safety of the market and the interests of the investing public. The stock market management policies have achieved the goal of enhancing the publicity and transparency of information,...

However, Vietnam's stock market also has limitations and weaknesses, specifically:

Firstly, market information still lacks transparency and is not managed and monitored in a timely manner, so there is a high risk of insolvency, fraud, and stock manipulation. Supervision, inspection, and examination activities still face many difficulties, as violations of the law in the market are increasingly sophisticated and complicated.

Second, in terms of market size. The size of the Vietnamese stock market compared to other countries in the region is still small. The number of listed and registered enterprises is large but the scale is small and uneven. In the stock market, there are only a few large companies in relatively stable business sectors with steady growth over the years, while the majority of listed companies are not the largest companies in the economy and do not represent a large proportion of Vietnam's GDP. The transaction value is not commensurate with the market capitalization value. According to statistics, the annual stock turnover rate (GTGD/VHTT) of the whole market is still low (the average rate of the whole stock market is 41.6%, of which the average rate on the UPCoM market is very low, only reaching 11.5%)^[3]. Up to now, the Vietnamese stock market has not been considered an effective capital mobilization channel for enterprises. The function of providing long-term capital for the economy of the Vietnamese stock market is still not clear.

Third, stock prices (VN stock price index - index) fluctuate erratically, the stock market in recent times has not yet ensured sustainable development. Especially now, the psychology of investors is still unstable, this clearly shows the fluctuations of the VN stock price index - Index in recent times.

Fourth, the structure of the stock market is not really balanced between its components and within each component. The size of the listed bond market is only equivalent to about 30% of the size of the listed stock market (this ratio in ASEAN countries is on average 47.9%)^[3]. The size of the public corporate bond market is much

smaller than the size of the privately issued corporate bond market. Capital mobilization activities are concentrated in the group of enterprises in the banking, real estate and securities sectors while other business sectors still account for a low proportion.

Fifth, the operations of intermediary and market support organizations still have many financial shortcomings. Although securities companies have issued additional shares and bonds to increase their operating capital or charter capital from equity owners, in general, charter capital is still low. The financial capacity and competitiveness of the securities company system are still low, the quality of operations of securities companies is uneven, and the limited ability to attract capital is also a difficulty to enhance the financial capacity of securities companies, etc.

Sixth, the products on the stock market are not really diverse and the quality of goods needs to continue to be improved. The basic stock market still focuses mainly on traditional products such as stocks and government bonds (TPCP).

Seventh, the facilities, techniques and information technology infrastructure are still limited. The team of professional personnel with professional licenses, especially the quality of company leaders, is still lacking and weak in securities trading expertise as well as legal advice on business transformation. The team of personnel with high professional qualifications in asset management is not many, mainly concentrated in a few large companies.

Eighth, the number of investors in the Vietnamese stock market is still low compared to many countries in the region and in the world. Individual investors are still the majority in the stock market (over 99%), institutional investors account for a small proportion, which has affected the efficiency of the stock market. The investor base in the bond market is also not diverse, lacking long-term investors with strong financial potential. Professional investors account for a modest proportion, some large foreign investors have opened accounts but have not yet participated in investment. Foreign investment funds participate in the domestic market through personal trust accounts and focus on investing in stocks of equitized enterprises.

Ninthly, state management agencies, the Stock Exchange (SEC) and the Securities Trading Center (STC), securities companies, and listed companies lack practical experience in managing and operating the stock market and have limitations and weaknesses.

3.1 About the investor base

Investors in the Vietnamese stock market are mainly individual investors. The level and psychology of investors have improved significantly but are still of a movement nature, tending towards speculation. This leads to the fact that the stock market is not professional, influenced by herd mentality, the index is prone to large fluctuations, not ensuring sustainable development. The system of institutional investors has not really developed. Among the large institutional investors in the stock market, financial companies, commercial banks, securities investment funds, life insurance funds and especially social insurance funds, voluntary pension funds play a very important role in ensuring a solid investor base for the stock market, contributing to market stability when there are incidents and being the place to transfer long-term capital to the stock market.

3.2 Transparency in the market

Public companies have not been proactive in disclosing information on their operations, capital use and corporate governance. The implementation and application of accounting and auditing standards are still inadequate. Many public companies still have errors and many discrepancies between figures in unaudited financial statements and audited financial statements, affecting the interests of investors and transparency in the market. Violations of information disclosure and transparency are still on the rise. Financial statements in some enterprises are still limited in quality, and the publication of financial statements is slow and requires extensions.

The quality of corporate governance in the Vietnamese market is low compared to the general level of countries in the region. In fact, enterprises in the market, including large-scale listed enterprises, have only stopped at the level of complying with regulations and have not really proactively aimed at improving the quality of corporate governance to enhance business operations and ensure the rights of shareholders. Currently, the mechanism for controlling capital increases of enterprises before becoming public companies is not yet complete and the State Securities Commission does not have the authority to access information on bank cash flows, information of organizations and individuals participating in transactions with public companies, leading to many difficulties in preventing virtual capital increases and false capital increases. The above limitations have significantly affected the quality of goods listed and traded on the market.

In addition, although encouraged, the limited disclosure of information in English by listed companies also greatly affects the transparency of the entire market, as well as the ability to attract foreign investment capital.

3.3 Ability to control and handle instability

Currently, the criteria for monitoring the safety of the stock market's operations are stipulated in Circular No. 226/2010/TT-BTC dated December 31, 2010, Circular No. 165/2012/TT-BTC dated October 9, 2012. Accordingly, the most important criterion is to ensure the ratio of available capital (comparison between available capital and total risk value). Securities companies with an available capital ratio ranging from 120% to 150% will be placed under control and when the available capital ratio is lower than 120%, they will be placed under special control.

However, the policy mechanism for stock market development is not complete and does not meet the development requirements in the coming time. The policy mechanism between the capital market and the money and credit markets is still not synchronized, not creating conditions for entities to mobilize capital through the market, and there are no products to create connectivity between the capital market, the stock market with the money market and the bank credit market. The market does not have products to securitize debts, currency derivatives, and interest rate derivatives to create connectivity and support between the capital market and the credit market.

3.4 Stock market size

The size of the stock market relative to GDP in Vietnam is low compared to other markets in the ASEAN region. Specifically, the capitalization value of the Vietnamese stock market is only equivalent to 26.8% of Indonesia,

23.3% of Thailand, 29.5% of Malaysia, 16.8% of Singapore and 50.1% of the Philippines. The number of listed and registered enterprises is large but the scale is small and uneven (the 10 largest stocks account for 55% of the total market capitalization and the 30 largest stocks account for 80% of the total market capitalization). The stock market is divided into two markets, of which the Ho Chi Minh City Stock Exchange has a small number of listed enterprises but accounts for over 90% of the total market capitalization.

Regarding the bond market, by the end of 2017, the capitalization value of the listed government bond market was about 22% of GDP. The total value of corporate bonds in circulation was equivalent to 6.19% of GDP. A specialized government bond market has been established but there is no separate market for corporate bonds. The new derivatives market came into operation in August 2017 with only one product, the futures contract on the VN30 index. Although trading in the derivatives market is relatively active, most investors in the derivatives market are individual investors, the number of institutional investors participating in trading in the derivatives market is still limited.

Market capitalization in 2018 reached 71.6% of GDP, up 12.7% compared to 2017, exceeding the Government's target for 2020. In particular, real estate, banking, food and beverage are the industries with the largest capitalization in the market.

3.5 Market accessibility

Regarding attracting foreign investors: Attracting foreign investors to participate in the Vietnamese stock market still faces many difficulties due to the relatively complicated investment process and procedures for foreign investors and the lack of synchronization of risk management tools. Increasing the foreign ownership ratio in the stock market is facing many difficulties. At the same time, the clear distinction between indirect investment and direct investment activities according to the restructuring project of the stock market and insurance enterprises has not been implemented despite the efforts of the Ministry of Finance and related ministries in the recent period. On that basis, the main problems hindering the attraction of foreign investment capital are as follows:

Regarding foreign ownership ratio: Decree No. 60/2015/ND-CP has been issued, allowing foreign investors to invest without restrictions in public companies whose business lines are not bound by international treaties, specialized laws that stipulate foreign ownership ratios or business lines with conditions applicable to foreign investors. However, in practice, only 25 companies have officially increased their foreign ownership ratios (24 companies increased foreign ownership to 100% and 1 company increased foreign ownership to 70%). This shows that the policy on foreign investor participation has not had a profound impact on public companies. When determining the maximum foreign ownership ratio, public companies must refer to and update relevant regulations in many legal documents including international treaties, regulations of specialized laws, and business conditions applicable to foreign investors. In fact, enterprises currently register for many business lines, many of which are in the List of Conditional Business Investment Lines under the 2014 Investment Law. However, this list does not distinguish between business conditions applicable to domestic and

foreign investors. Specialized legal regulations in Vietnam are also frequently amended and updated, causing difficulties in determining the foreign ownership ratio in public companies.

On access to information, equal rights for foreign investors: Currently, Vietnam does not have a centralized database information system on changes in foreign ownership ratios in enterprises, which leads to delays and difficulty in accessing information, causing foreign investors to miss investment opportunities. Foreign investors have not been able to access centralized, updated and official information from the State Securities Commission or stock exchanges, securities depositories... on changes in foreign ownership ratios in Vietnamese enterprises after new regulations on loosening foreign ownership ratios were issued.

3.6 Stability and balance

About the structure of the stock market: Vietnam's stock market is experiencing imbalances in each component and between components of the market. The size of the listed bond market is only equivalent to 31.3% of the size of the listed stock market compared to the average of 47.9% of countries in the ASEAN region. The size of the corporate bond market is only equivalent to 16.7% of the total value of government bonds in circulation, much lower than the average of 46.2% of countries in the ASEAN region. The stock market is still relatively dependent on the system of credit institutions.

In the bond market, although the structure of government bond holdings has changed in recent years, the total value of bonds held by credit institutions still accounts for over 52.54% of the total value of outstanding bonds (the average holding level of credit institutions in the bond market of ASEAN countries is about 35.7%).

Regarding accounting regime: The current challenge for the Vietnamese stock market is that the Vietnamese accounting regime has some points that are not similar to the international accounting regime. This leads to the fact that the financial statements of listed companies presented under the Vietnamese accounting regime are not highly appreciated by foreign investors for their accuracy and often require time to recalculate.

Regarding the diversity and quality of goods on the stock market: Although documents guiding the issuance and offering of new products have been issued, the actual number of new products offered and listed on the stock market is still limited. The market still focuses mainly on traditional products such as stocks and government bonds. The entire market has only 2 listed fund products and currently there are no listed and traded corporate bonds. Although initially operating quite actively, the market still lacks many other products such as futures contracts, options contracts linked to stocks and products linked to other types of indices to meet the diverse needs of risk prevention for investors. The lack of diversity in derivative products and failure to meet the requirements of foreign investors and institutional investors is one of the reasons leading to the imbalance in the investor structure in the derivatives market (individual investors account for over 99% of the number of accounts and transaction value in the derivatives market).

Evaluation of legal documents related to the issuance and trading of stocks and bonds as commodities of the stock market

Since the transformation of the economy to operate under a market mechanism, our State has issued many legal documents in accordance with the principles and laws of the market economy on the basis of building and increasingly perfecting the economic legal framework in new conditions. Among the issued documents, there are many provisions related to or directly regulating the issue of securities and the securities market. For example: the 1990 Law on Companies (replaced by the 1999 Law on Enterprises), which includes provisions on the issuance of bonds and shares of joint stock companies; the 1995 Law on State-owned Enterprises with principled provisions on the authority to issue bonds of state-owned enterprises, on the function of managing controlling shares and special shares of the State; Decision No. 202/TTg dated June 8, 1992 of the Prime Minister on the equitization of state-owned enterprises; Decree No. 01/2000/ND-CP dated January 13, 2000 of the Government promulgating the Regulation on issuance of Government bonds; Decree No. 120/CP dated September 17, 1994 of the Government promulgating the Temporary Regulation on issuance of bonds and shares of state-owned enterprises; Decree No. 28/CP dated May 7, 1996 of the Government on converting a number of state-owned enterprises into joint stock companies; Law on Credit Institutions 1997; Law on Encouragement of Domestic Investment 1994 (amended in 1998)...

Unlike some other economic sectors, the legal regulations related to securities and the securities market were newly formed in the early stages of the renovation process, not based on the inheritance of existing regulations that used to exist to regulate corresponding relationships within the economy, and have not been tested, but only to meet the urgent needs of the market. Therefore, these regulations are scattered in different sectors, not unified, not based on certain criteria, so most of the issued securities do not meet the standards to become goods of the securities market.

The regulations on issuance are not specific and detailed, especially the regulations on the issuance of stocks and corporate bonds. Some other types of bonds are issued mainly to meet the direct needs of the organization, the issuing agency and the procedures and issuance mechanisms are not unified, leading to the situation where the types of securities are issued, what mechanism, only show the liquidity according to that mechanism, but cannot be freely transferred, bought and sold among investors in the public.

The promulgation of the Regulation on issuance of Government bonds (issued together with Decree No. 01/2000/ND-CP dated January 13, 2000) is only the initial supplement to create conditions for issued securities to be circulated, converted, bought and sold on the securities market. This regulation has stipulated a series of basic issues such as issuance methods, bidding, agency, issuance guarantee, bond custody, government bond payment agency... in accordance with the general operating procedures of the securities market.

Evaluation of legal documents directly regulating the organization and operation of the stock market in Vietnam

Most of the documents directly regulating the organization

and operation of the stock market in our country are legal documents issued by the Government, the Prime Minister, the State Securities Commission, the Ministry of Finance, etc. Therefore, the comprehensiveness and effectiveness of the legal document system in this field are still limited, only limited to the authority of executive agencies (Government). Meanwhile, many fields, institutions and related institutions such as: determining criminal and civil liability for violations; resolving disputes arising from securities issuance and trading activities, disputes from the organization and operation of the stock market; procedures for resolving requests to declare bankruptcy of securities companies are beyond the authority of the Government.

On the other hand, the above legal documents have not really created a synchronous and stable legal environment. Many legal regulations are of a solution and situational or experimental nature (such as regulations on equitization of state-owned enterprises), not having long-term fundamental nature.

Also due to the lack of premises and not being built on the basis of inheriting existing regulations, Vietnam's legal regulations on securities and the securities market have not had the opportunity to test their "suitability and effectiveness". The construction of laws is mainly a selective reference to foreign experiences suitable to the conditions and circumstances of Vietnam. However, we are in the early stages of the process of building a multi-sector commodity economy operating according to the market mechanism, so many issues that meet the general laws of motion, as well as the principles of the market economy, do not have the conditions to be suitable. Therefore, it is difficult to immediately complete and synchronize legal regulations directly related to the organization and operation of the securities market.

Uncertain regulations

- Through studying the content of current legal documents on securities and the securities market, the law still leaves open or does not specifically regulate the following issues:

+ Regulations on the legal status of the Securities Business Association.

+ Regulations on the organization and operation of the OTC centralized market.

+ Prohibited and restricted acts that are especially dangerous and violate the activities of the stock market such as: short selling; insider trading; false information; market manipulation have not been defined as crimes in the "Chapter on economic crimes" of the Penal Code.

+ Necessary regulations to determine civil liability for entities that commit violations causing damage to investors' interests.

+ Some related fields have not been specifically and detailedly regulated such as:

- Resolving the declaration of bankruptcy of securities companies. In this area, there are no specific regulations on: criteria for securities companies that will be considered as performing important and necessary public services to be supported or considered for support to restore operations; list of securities companies subject to conditional bankruptcy.

- Dispute resolution. The law on securities and the securities market only provides in general that if a dispute arises and mediation fails, the parties can bring the dispute to an economic arbitration agency or a court for adjudication according to the provisions of law. However, there are no

specific regulations on determining the types of disputes, regulations on which court has jurisdiction to adjudicate? Civil court, economic court, administrative court?

- Regulations on competition, anti-unfair competition; regulations on securities auditing need to be specified in more detail and completed.

The above-mentioned open issues or unclear and unspecific regulations are also requirements for perfecting the legal framework on securities and the securities market, ensuring that the organization and operation of the securities market are effective in practice.

4. Some solutions for sustainable development of Vietnam's stock market

4.1 Building an early warning model

Based on the model of building an early warning system for stock market movements in China, Vietnam needs to build an early warning system (EWS) for the stock market based on the following parameters:

1.) Short-term interest rates with data provided by the State Bank: The reason short-term interest rates are chosen as the first parameter is because short-term interest rates directly affect business activities of enterprises and indirectly affect the economy in general and the stock market in particular. The Vietnamese stock market may not be affected too clearly every time short-term interest rates change, but in other economies, especially in the United States, when the Federal Reserve (FED) holds a press conference to make a decision on raising or lowering interest rates, the stock market always reacts immediately, so short-term interest rates are the most important parameter in the EWS system.

2.) VN-Index: The VN-Index changes mainly based on price changes of leading stocks on the stock market (blue chips), when there are fluctuations in the economy.

3.) Indexes of credit companies for businesses as well as financial institutions: This parameter reflects the assessment of the level of risk that the business or financial institution is bearing, thereby affecting the confidence of investors and their shareholders in the value of stocks on the market and will directly affect the company's stocks being traded on the market.

4.) Information from policy makers in the market: Circulars, decrees or most recently the amended Securities Law have provided maximum support to investors in the stock market, as well as added new trading products to the market, which will affect the psychology of investors and encourage them to participate more in the market. In the case that new regulations tend to tighten the regulations for investors, it will lead to investors being hesitant to participate in raising capital in the stock market. The foreign exchange rate parameter is a parameter that directly affects the profits of foreign investors participating in transactions in the Vietnamese stock market. In the case that VND depreciates against the world's common currency, investors will compete to sell off in the stock market. In the past, there have been recorded cases of foreign investors making continuous selling transactions when VND depreciates against the USD, the consequence of which is that the Vietnamese stock market drops sharply.

4.2 Control and handle instability in the stock market

Based on international experience and practical assessment in Vietnam, the research group makes 6 specific

recommendations in applying the mechanism to regulate transactions in the market as follows:

1. Continue to apply price range to ensure stable market sentiment, while providing regulators with a tool to regulate, monitor, and manage the market similar to some Asian markets.
2. Research on widening price range from the perspective that narrow price bands can reduce the efficiency and attractiveness of the market. Moreover, many empirical studies have shown that the effect of applying price bands on the risk profile of the market is unclear. In fact, loosening the band, even in times of crisis, as experienced in Thailand and Korea in 1997, can have a positive impact on market performance. The degree of widening can be as high as 30% according to international practice.
3. Research on applying regulations on separate amplitude for the first trading day of stocks in the direction of loosening/eliminating amplitude on the first trading day to support the market in determining prices.
4. The automatic trading suspension mechanism for each stock is not applied. vote in the Vietnamese market, considering the complexity and capacity of the trading system with KRX as the contractor.
5. Research on applying measures such as suspending trading across the market and price fluctuation adjustment mechanisms on the Vietnamese stock market to diversify defense mechanisms and regulate transactions. Combined with the policy of widening the trading range, these measures help the Vietnamese stock market balance the goals of stabilizing market operations and attracting liquidity in the market.
6. Experimental research to determine the appropriate level of margin expansion, the level of margin for the first trading day and the level of triggering a market-wide trading halt.

4.3 Database

Regulators need to improve their understanding of market linkages and market quality. There are factors such as end-of-day trading, institutional buyers and sellers, falling transaction costs, transactions now occurring in milliseconds, asset diversification and increasing market fragmentation, but the core of capital markets remains the mobilization and allocation of capital. It is important that securities regulators have a comprehensive and meaningful set of data that can be monitored on an ongoing basis to determine what is happening to overall market quality. This also requires consensus on what market quality is, and that market quality is not just the performance of secondary markets but also the interaction between the state of primary and secondary markets. Any change in market structure will necessarily involve trade-offs between competing objectives. Coordination among ministries and branches including the Ministry of Finance, the State Bank, and the Ministry of Planning and Investment is necessary in building a common data set for the stock market, in which the role of the Ministry of Finance is to preside over and coordinate with relevant units (State Securities Commission, stock exchanges, securities depository centers, etc.) to build a database of the stock market and financial market to measure market quality to serve the purpose of sustainable development of the stock market in particular and the financial system in general.

Up to now, the Vietnamese stock market has had 11 years of growth and development after overcoming many difficulties, thereby achieving encouraging achievements. Most notably, it has ensured the market operates safely and stably even in the most difficult times, which is something that not all young markets can achieve. For example, the Indonesian stock market collapsed twice, Thailand once and it took 10 years to restore operations. This result was achieved because from the beginning, the stock market had a management agency, a relatively synchronous legal system and especially the attention and direction of the Government. In particular, there was an important contribution from investors, they persistently participated in the market even in the most difficult times and this was clearly demonstrated in the first 7 months of 2011.

Currently, the stock market is facing many challenges. To resolve difficulties for the market, the Ministry of Finance has directed the State Securities Commission to proactively and actively build and perfect the legal framework, policies and institutions for the stock market; directed units to speed up the implementation of important projects and plans, especially those aimed at perfecting the legal framework and policy mechanisms to regulate market activities.

As the agency directly responsible for managing and supervising securities activities and the securities market, the State Securities Commission (SSC) has been actively implementing many short-term and long-term measures for the stock market to develop sustainably and transparently. Accordingly, the SSC is implementing solutions to support the market, focusing mainly on removing liquidity difficulties and improving market sentiment. Specifically, the SSC is urgently completing technical solutions to implement Circular 74/2011/TT-BTC in an effective and safe manner. The SSC attaches special importance to the inspection and supervision of margin trading activities when this service is deployed in the near future. In the context of the current difficult stock market, the SSC encourages securities companies to temporarily narrow down their business activities in terms of breadth, focusing on reducing operations, restructuring personnel, and even proactively buying and selling and merging.

The State Securities Commission is also accelerating the completion of the legal framework to enhance transparency and product quality to attract investor confidence. Specifically, the Decree detailing the 2006 Securities Law and the 2010 amendments will focus on improving listing standards to increase product quality; changing information disclosure regulations in the direction that the responsibility for information disclosure will increase according to the scale and popularity of the enterprise; creating conditions for the development of new products and services such as derivative products, real estate investment funds, etc.

In addition, the SSC continues to strengthen the management and supervision of the market and the operations of intermediary institutions. Accordingly, it manages and supervises the operations of securities companies and fund management companies based on financial safety indicators. In addition, it also strengthens market supervision to promptly detect unfair trading and price manipulation. It focuses on strictly handling violations and non-compliance with current laws on securities and the stock market...

The work that the State Securities Commission is implementing is extremely necessary given the difficulties

that the stock market is facing. However, according to economic experts, for the stock market to develop sustainably, the most important solution is to stabilize the macro economy and create confidence for investors, because the stock market is a market that expects the future. Therefore, controlling inflation, limiting budget deficits, limiting trade deficits and stabilizing the value of the Vietnamese Dong are immediate priorities that the market requires. The lack of confidence in the future of the macro economy, the development prospects of industries or businesses means that not only institutional investors but also individual investors do not determine long-term investment in the stock market. When the future is not determined, the trend of short-term investment in the form of surfing is inevitable.

Along with these actions, the State Securities Commission needs to focus its efforts on limiting profiteering and stock market manipulation. It is necessary to develop and strictly punish profiteering behaviors to ensure the transparency and health of the market. In addition, there should be strong sanctions to ensure information transparency and businesses with continuous violations must be severely punished.

The stock market development strategy in the coming period will increase the efficiency of the market on the basis of restructuring the stock market organization... To be able to implement this strategy well is not simple. The work that the State Securities Commission is implementing and will implement to develop the stock market more sustainably than ever needs to be implemented more actively and seriously.

5. Perfecting the legal system directly regulating the organization and operation of the stock market

As the assessment of the current legal status has presented, currently in our country, the law on securities and the securities market has been formed but is not yet synchronous and has not been tested in practice. Through the research process, the topic believes that it is necessary to supplement and complete a number of the following issues:

5.1 Completing legal regulations on issuance organizations and procedures for issuing securities to the public

- Regarding the subjects exempted from the regulations on public securities issuance. It is necessary to add that all types of bonds, although not government bonds, but guaranteed for payment by the Ministry of Finance or the State Bank, are also exempted from the regulations on public securities issuance. This is something that most countries with stock markets have regulations on.

- There should be more specific regulations on the scope of information considered confidential in production and business activities, according to which the issuing organization is not allowed to disclose without permission from the State Securities Commission as a basis for prosecuting insider trading acts later.

- Specify the procedures for requesting a license to issue securities to the public by enterprises.

- Remove legally incorrect terms in legal documents on the stock market;

- There needs to be a solution to reduce the hassle and overlapping administrative procedures between securities issuance management agencies, creating favorable

conditions for securities issuance to the public. Currently in our country there are up to 5 agencies managing securities issuance. They are:

+ The Ministry of Finance issues government bonds on behalf of the Government.

+ People's Committees of provinces and centrally run cities issue local bonds, manage the issuance of construction bonds and investment bonds.

+ The State Bank manages bonds of commercial banks and credit institutions.

+ The Ministry of Planning and Investment manages the issuance of bonds by joint venture enterprises.

+ The State Securities Commission manages the issuance of securities that are eligible to be listed outside the centralized trading market...

With such a management mechanism, it will cause dispersion and overlap not only in procedures but also in the ability and demand for buying and selling securities. Should it be that when the securities market in our country operates, the issuance and trading of securities must have a specific trading place? The management of securities issuance should be concentrated on the State Securities Commission - the agency representing the Government to carry out State management of the securities market. This agency is responsible for managing, regulating and granting licenses to organizations and enterprises that need to issue securities that are eligible for listing and trading on the centralized securities trading market.

- It is necessary to promptly amend and supplement the overlap and contradiction in the provisions of the 1999 Enterprise Law and Decree No. 48/1998/ND-CP dated July 11, 1998 of the Government, in order to create conditions for enterprises with needs and sufficient conditions to easily issue securities to the public to raise capital and promote their production and business activities.

5.2 Perfecting legal regulations on securities investment entities

- In the current legal regulations on securities investment subjects, there is a problem with the participation in securities purchase of credit institutions. The State needs to clearly stipulate the level of stock and bond purchase and sale by credit institutions to be considered securities trading and to establish an independent securities company.

- Similarly, the State also needs to clearly define the criteria for determining which securities trading activities of an organization are considered securities trading and which securities trading activities are considered pure securities investment. Only then will there be a basis for prosecuting legal responsibility for illegal business activities and tax evasion of organizations with securities trading activities.

In addition, the 1997 State Bank Law and the 1997 Credit Institutions Law do not have regulations on securities trading activities, which will cause difficulties for commercial banks participating in the securities market, while banks are actively participating in market activities such as designated payment banks..., supervising and custodian banks of securities investment funds... Therefore, the State also needs to amend and supplement the 1997 State Bank Law and the 1997 Credit Institutions Law to meet the requirements in accordance with the activities of the securities market.

5.3 Perfecting legal regulations on state management agencies of securities and the securities market

There should be clearer regulations on regulations and procedures for inspection and supervision by state management agencies of securities issuance, trading, and trading organizations; effective organization and management of centralized trading markets and other supporting organizations; and strengthening control and ensuring the honest disclosure of information on the market.

5.4 Completing legal regulations on Securities Trading Centers and Stock Exchanges

In our country, the Stock Exchange is a centralized trading market, where securities issuance, trading, brokerage and trading activities take place. In the future, the centralized trading market will develop at a higher level, more complete than the Stock Exchange. The Center is a revenue-generating public service unit, the center is under the State Securities Commission, and has legal status. However, in the early stages, such organization is reasonable to ensure the stable and safe operation of the market and the centers do not aim to maximize profits when operating. However, when the market has stabilized, it is not necessary for the Stock Exchange and the Stock Exchange to be state-owned units. Because, doing so will lose the initiative and autonomy of the market. Therefore, in the future, the Stock Exchange can be gradually transformed into a joint stock company.

Regarding organization and operation, the Securities Trading Center and the Stock Exchange need to establish a payment and securities depository system with modern technology to provide the most convenient and secure promotion and support services, minimizing transaction costs in securities trading.

5.5 Perfecting legal regulations on securities companies

- It is necessary to expand the scope of entities permitted to participate in the provision of securities services to include partnerships. We also believe that allowing banks to participate in some types of low-risk securities business such as securities brokerage, securities investment consulting, and portfolio management without establishing an independent securities company is a reasonable solution.

- Issue detailed regulations on securities brokerage and securities investment consulting.

- Regulations on conditional bankruptcy of securities companies.

5.6 Perfecting legal regulations on legal responsibilities of entities that violate laws on the securities market.

Including regulations on:

+ Regarding prohibited and restricted acts, it is necessary to add a provision prohibiting the sale or disclosure of inside information that affects stock prices when the law does not permit disclosure in any form (this is an act defined as unfair competition).

+ Determine the civil liability of the violating entities: there should be regulations to calculate the level of compensation for damages outside the contract (or in the contract) when there are acts of infringement.

+ Research and supplement the Criminal Code with acts that violate the normal operation of the stock market, causing serious consequences and requiring criminal prosecution of the violators. For example: acts such as insider trading,

market manipulation, short selling, and publication of false information... at a level that causes serious consequences.

6. Perfecting legal regulations related to the organization and operation of the stock market.

6.1 Organization of Securities Business Association

When developing the legal regulations of the Securities Business Association, it is necessary to clarify the rights and obligations of the Association in its relationship with the State Securities Commission and with member securities companies.

6.2 Enact the Law on Monopoly Control and Unfair Competition Prevention to ensure fair competition among market participants.

Perfecting the law on accounting and auditing

Currently, the law on the securities market in our country has clearly stipulated that all financial reports of the issuing organization when published must be certified by an auditing organization approved by the State Securities Commission (Article 9, Article 18 of Decree No. 48/1998/ND-CP). The above regulation is completely consistent with the requirements of operating the securities market safely and in accordance with international practices. However, in order for auditing activities to be put into order and create a favorable legal environment for auditing organizations to operate effectively, the State needs to further improve the legal regulations on auditing activities. In particular, the construction and legalization of a system of complete and accurate auditing standards, ensuring a unified basis among auditing organizations to evaluate financial reports. This system of auditing standards must also be built in a way that is compatible with international auditing practices so that the financial activities of Vietnamese enterprises can keep up with the level of financial management in the world in the integration process.

Perfecting tax laws and regulations for stock market activities

The operation of the stock market is a special activity, trading a special type of goods - securities, in which capital is the object that all parties have a need for. Therefore, the calculation of taxes for these activities must also have appropriate regulations, unlike the business of other goods. Currently, we do not have separate regulations for securities trading activities. In the near future, in parallel with the completion of legal regulations on accounting and auditing, the State also needs to supplement legal regulations on taxes for securities market activities, especially for business activities, securities trading, services supporting securities trading, etc.

Perfecting regulations on resolving disputes arising from the organization and operation of the stock market.

Currently, the jurisdiction of the economic court - the people's court, and the economic arbitration is to adjudicate and resolve disputes related to stocks and bonds. However, disputes arising from the organization and operation of the stock market are not limited to the above-mentioned types of disputes. In the process of issuing and trading securities, there are many participants, so the disputes arising are also very diverse, and can be generally classified into 3 groups:

+ Disputes related to ownership of securities.

- + Disputes arising from sales transactions, from contracts related to sales, support, and securities trading.
- + Disputes arising from management relationships (such as granting, revoking practice licenses, issuance licenses, business registration...).

The above groups of disputes are under the jurisdiction of different judicial bodies. Therefore, in order to facilitate and protect the legitimate rights of the parties, it is necessary to clearly stipulate the types of disputes and the jurisdiction of which judicial body for disputes arising from the organization and operation of the securities market.

7. Conclusion

The stock market plays an important role in economic development and growth by providing a channel for capital mobilization and efficient capital allocation. However, the changes over time in the structure, operation and connectivity of exchanges and stock markets in the context of unsustainable economic growth in both social and environmental aspects lead to the fact that the stock market is both the subject of the cause and the solution for the sustainable development of the economy.

Basically, addressing the challenges of changes in market structure is necessary. This requires increasing understanding and awareness of the impact of current and future market structures on the capital mobilization and allocation functions of the stock market. Solutions for sustainable development of the stock market include: Diversifying products on the market, improving product quality, risk prevention tools, risk assessment mechanisms, improving the capacity of intermediary organizations, information transparency, raising awareness of the environment and society for investors and businesses on the stock market, improving the effectiveness of state management and supervision of the stock market.

The establishment of an early warning system in the financial market plays a very important role, helping state management agencies estimate and calculate the possibility of a crisis, as well as understand the factors that can lead to a crisis. In addition, the establishment of an early warning system will help state management agencies have time to react and make appropriate adjustments when the economy changes in a negative direction. In addition, the establishment of an early warning system helps state management agencies assess the impact of macroeconomic policies on the possibility of a crisis, thereby assessing the effectiveness of the policy.

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