Solutions for Construction and Development of the Derivatives Securities Market in Vietnam

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ABSTRACT—The necessity of a stock market derivative is evident through research positions features basic economics of it, that is the function of microeconomic basically made by the futures market related to the creation of a competitive price, the insurance risks trade prices, make it facilitate the mobilization and allocation of resources. At the same time the stock market derivative also features indirect macroeconomic support capital rising in society and help redirect funds used under the most economics way and the most effective.

Derivative securities are derivative financial instruments derived from stocks and have a relationship with the stock closely origin. These are financial instruments versatile and are important tools used in a flexible manner to help enterprises and investors on stock market risk treatment on stock prices and help speculators looking to profit. But derivatives to create ceramic molding from investors and very complicated only for professional investors and stock market development. In Vietnam, the stock market just put into operation since 2000, also in phase initially built up the problem applies derivative securities is inadequate, but as the market develops, it becomes necessary.

After 15 years of establishment and development of Vietnam’s stock market, dated 5/5/2015, the Prime Minister issued Decree No. 42/2015/ND-CP on derivative securities and stock market Derivative. This is considered a prerequisite for the operation and development of the stock market derivative Vietnam in the coming time; contribute to improve the market structure of modern finance, next to the stock market and bond market government listed.

Keywords—Stock Market, Vietnam Derivatives Stock Market, Financial Instruments, Risk;

1. INTRODUCTION

The stock market derivative also brings many other benefits such as:

The catalyst for new business formation

One of the important benefits gained from Exchange derivatives is that it works as a catalyst for new business activities. International experience shows that the stock exchanges in the world derivative have a history almost attracted a lot of human resources well trained, creative and social capacity. Human resources will create mutual motivation. They often also motivate other sectors to create jobs new businesses, new products and new jobs ... This market serves as a catalyst for the emergence of new sectors, business new career.

Create direct employment and the impact on the economy

Almost all basic sectors will be connected with the transaction offices directly and indirectly, providing goods and services for the transaction department, the its members and for its customers. No measurable different effects of all the work related to the transaction department, but can scrutinize some related organizations are not members of the transaction department, but is influenced by the formation of future facility financial transactions to provide an idea for the creation of indirect benefits. One such list would include local banks, the asset management, the foreign banks, the management agencies, law firms, and accounting firms, the telecommunications company, services, data processing, providers and equipment data processing, the software developer, services, clearing, contractors securities, new services, the transport services, the market surveillance services ...

The impact of transaction-related departments of employment, create more value domestic product for one country. Chicago is an example; the following statistics will give a problem that can contribute somewhat clear view of the issue.

º Work directly related to the transaction bureaus Chicago, corporations clearing members and their organizations were chosen to provide services for the transaction offices is estimated that over 33,000 people in 1996
Expenditure for goods and services traded Chicago facility and its members account for about 870 million dollars in 1986.


The deposit average daily transactions are relevant to Chicago at the bank about $4 billion in 1986.

The average borrowings Department estimated daily from 1-2 billion dollars.

Each direct job of transaction offices can create more jobs and indirectly support of other sectors. On that basis, the estimated total work directly or indirectly for the exchanges in Chicago can be up to 110,000 people.

There are a number of eels benefits and intangible growth comes from successful trading establishments, including the benefits from the reforms and the involvement of the creators. Reforms like an active enzyme; it can create more innovation and better growth.

**The role of information and the role of connecting the market (stocks, bonds, currencies and commodities on the same market at present)**

Basic benefits from the contracts financial future are levels our prices act as economic indicators. A derivatives market financial success, a provider of trading activity in interest rate, currency, stock index and probably a few other commodities, will be monitored by the economic forecasts fact, the policy makers and investors, to make an important signal about the status of Vietnam's economy.

All markets are affiliated with each other. Those who want to learn about the bond market to analyze commodity markets, equity markets, currency markets, and short-term market interest rates. And if they really want to learn about the stock market, they have to analyze the bond markets, currency markets and commodity markets ... As the derivatives market covers all four of the main group this (commodities, currencies, stocks and interest rates), so the futures contract is the basis for action favorable investment analysis. One of the fundamental benefits that Vietnam will achieve next to the established exchanges derivative financial successful transactions on currency, interest rate, stock index and can goods that investors can participate easily, efficiently, and at low cost in terms of the macroeconomic economy. This will help to continue to attract foreign capital.

**General economic impact of exchanges of financial derivative**

Transactions the basis of this success can have important contributions to the economic development of a country. They promote competition, support capital formation, create active new business and new jobs directly and indirectly, through support services, bank deposits, and other economic activities other facilities to support the transaction.

The existence of a stock market derivative makes achieving economic efficiency overall economy in several aspects as follows:

- **First, to support collective competitiveness for the economy Vietnam**

  Jobs organizations active trading on an exchange, derivative securities increases the overall competitive economy on the one hand due to reduced functionality or conversion risks of trading tools, on the other hand, the organization good one transaction offices operating under the market mechanism is an attempt by society to achieve the perfect competition. Specifically, such organizations will ensure the public, or almost perfect knowledge about all the elements and of all market participants; opportunity or equal access to the market by preventing monopoly, discrimination, and insider trading in the market; higher efficiency in marketing activities of goods and products; more benefits for the producers and consumers of goods ...

  The basis of transaction allows the business is done in the context in which the rules are set in the direction of creating freedom, equality and mutual duties and responsibilities through open and accurate. If no tool to convert risks and create pricing will create imperfections of the market in general and promote monopoly. The imperfections of markets will make higher prices and distort the relationship of price and variable economy is growing not effectively become a tool to serve the needs of consumers

  Vietnam South is a fast-growing economy, more big attraction for domestic and foreign companies, who are aware that the local market power can be increased quickly. A financial derivatives market Vietnam, if it is open, accessible and efficient operation will act as an important factor reducing the tendency to create monopoly prices and price discrepancies. It is a natural tool to improve competitiveness, reduce barriers to participation and to promote openness.

- **Second, supporting information on which**

  a derivative securities market should support the process of capital formation in Vietnam through the encouragement of saving and investment in the economy. Although OT controversy erupted in several years between the economists to try to determine whether savings have led to investments or vice versa, the truth may lie somewhere between the two sides and lines of cause results happen in two ways. Operating procedures something similar to that. Savings went into banks and converted to resources available to invest in production and business. This investment will increase the total capital in the economy, create jobs, generate additional revenue and to create savings and other investments. Savings increased investment means increased. Increased investment means increased income to save.

  Derivative securities market will provide exactly this kind of stuff for the economy to encourage both saving and investment. For example, the existence of market futures contract interest rate will make it possible to better manage
those risk factors usually associated with capital raising and provide a secondary market for financial instruments such as left stock companies, negotiable...

- **Support for direct investment in Vietnam**

  If someone said that investment activity directly involves issuing new shares, foreign direct investment and new loans net, the latter it can be concluded that the options market and the future financial success can help to direct investment in a country.

  Investors will choose understanding adjusted profit Risk highest expectations for their investments. The futures market and options will not increase profits, but they created the opportunity to reduce risk associated with the level of earnings. Or we can provide a higher level of profitability can be achieved if barriers. Investors are more favorable and investors want more capabilities to meet their wishes can be achieved. Therefore, direct investment in the economy will be promoted to the extent that the ability to use and the use of a market futures contracts or options allowed:

  - Fences risks
  - Creating products new risk management
  - re-packaged and sold risky
  - Calculator firmer prices and future costs expected
  - to reach more easily with the opportunity to establish the price
  - of the transaction costs lower than
  - market information improved

  Summary, if transaction basis derivatives in Vietnam was set up and developed, it will have an affect the growth of other sectors. Some derivatives transactions may have goals developed through a process that meets the economic needs of the country in parallel with the process of preparing the initial connection to the network of international transactions.

2. **THE CONDITIONS OF THE DEVELOPMENT OF THE DERIVATIVES STOCK MARKET IN VIETNAM**

   Ability to create a basis trading derivative securities in Vietnam successfully with vibrant market and liquidity is proportional directly to a number of factors following

   - **The completion and availability of the economic environment, legal, social, infrastructure, technical...**

     to develop facilities derivative transactions in Vietnam, not to mention the political environment, legal justice, economic, social, infrastructure ... basically, the environment has many advantages, especially the political stability, economic growth is high, the number of companies increasing the number of financial institutions, increasing and growing in a positive direction, the legal system is not perfect stop, stock market, the currency market has made significant strides in recent years. However, there are still many significant shortcomings related to the environment, the level of development of this environment a major impact on the success of the derivatives market.

   - **The presence and availability of organized groups, individual participants, organization, operation and management of market**

     Experience to use, organizational, technical, and executive market in general is one of the important conditions for market formation. Until this time the most knowledgeable group about using some type of derivative instruments to manage the risk that the group of banks, investment funds. Generally, the business world Vietnam has virtually no experience of using derivatives to hedge risk. Efforts training and basic education will be needed at all levels of the community, from the user to the management ..., before opening exchanges derivatives. This training will enable the use of efficient markets, protect investors before the negative, deceptive, or themselves be the subject of these shady activities.

     Market shares, bonds Vietnam has put into operation together with the formation of a series of institutional market participants, such as investors, the securities companies and organizations operate and manage marketing the school will be a good premise to switch on derivative activities between these markets because there are many similarities in the field of operations.

   - **The variety of benefits related to the transaction. Expansion ownership, managed to join the group using the market...**

     The market success of a derivative depends on its attractiveness to buyers and sellers. Attraction that depends on a number of issues including:

     - Importance economical of the services or goods are traded;
     - The material means and techniques of market to facilitate user participation;
     - The effectiveness of the media in the country and abroad;
     - The liquidity of the market. Liquidity is the ability to rapidly without significant changes in commodity prices. A market with high liquidity is preferred markets where buyers and sellers have to wait a long time to complete a transaction, to pay an amount or accept discount rate.

     - The level of transaction costs. Buyers and sellers try to minimize transaction costs as a percentage of the value of a transaction. Transaction costs include the cost payable by a EXCHANGES to perform and payment transactions, commissions and taxes.
Impartiality and effectiveness of EXCHANGES. Customers want to know that their transactions are made on the basis of quick and fair.

Status of information systems. Markets that provide information about the price, volume and other information sufficiently clear and timely become attractive to buyers and sellers rather than for lack of market the translation of such information.

3. SOLUTIONS FOR DEVELOPMENT THE DERIVATIVES STOCK MARKET IN VIETNAM

Along with the implementation of Decree No. 42/2015 / ND-CP, to derivative securities market went into operation and truly effective, it is necessary must implement synchronization solutions macro level.

First, synchronous development of the financial and monetary market: Trading derivative financial inseparable transactions on the basis of financial instruments. Thus to form the first derivative contracts should include financial instruments serve basis for the exchange of each contract. On the other hand, the basis of financial instruments should be diversified to promote derivatives market development. Diversity of financial tools base completely dependent on the level of development of financial markets.

Second, complete the legal framework for the financial markets, currencies and financial products Derivative: Systems legal framework is the basis of the most important provisions of the principles of organization and operation of the school birth and create barriers protecting the health of the financial markets, and the legal documents is also an important basis for the introduction of new services. Thus, the legal environment fully synchronized, high legal effect is the necessary condition for the formation and development of the derivatives market. Moreover, due to the complex nature of transactions and derivative financial products makes the operation of this tool is sensitive to fraudulent behavior, negative. On the derivatives market with many stakeholders including traders, speculators, brokers ... Each participant in the market for different purposes, even contradictory. Therefore, risk and potential gain on derivative contracts is huge. Therefore, in addition to promulgating the new and additional perfecting legal documents to specified principles and organizational activities of the derivatives market, the operating and monitoring the operation of markets is also essential.

Third, complete the provisions on financial and accounting related to financial products Derivative: Due to the characteristics of complexity and novelty of the derivative products so until now the accounting standards still not caught up with the accounting and management of derivative instruments. The derivative instruments are recorded on the accounts off balance sheet accounting, so it is difficult to determine from traditional reports the derivative instruments are used and the impact of derivative transactions on receivables integration of companies like. Therefore, the next time the Ministry of Finance needs to complete the accounting regime for financial products to promote the use of this product in risk prevention.

Fourth, the development of the system of financial intermediation: The derivative contracts are made through authorized intermediaries and through exchanges to ensure the implementation of the rights and obligations of the parties. With a mediating role in the contract, the broker will connect buyers and sellers together, and require buyers and sellers should deposit the ability to perform high-derivative contracts. Therefore, the need to develop financial intermediation as a broker and offer derivative financial products for businesses.

Fifth, investment in building the foundation of modern technology: Technology direct effect to the provision, processing information to make a decision in the transaction, affects the calculation results and the process of liquidation mathematics, as well as risk control process. To the professional development of financial products Derivative banks, financial intermediaries as a broker, providing financial products Derivative need to have certain investment in capital and human resources to modernizing hear.

Sixth, boosting support for training, improving the quality of human resources and information understanding of derivative products: market derivative business field requires knowledge, expertise high, but now is quite new in Vietnam. So the training must be linked with relations activities expanded international cooperation and exchange of human resources training, policy development and market management.

Seventh, improved methods of disseminating information on derivatives transactions to customers.

The financial institutions, professional implementation of derivative transactions such as commercial banks, securities firms implement the promotion of derivative instruments in order to create awareness and understanding for customers, the publisher and policy makers about the uses and how to use derivative financial instruments. The financial institutions should establish department advises and supports customers find information, how to use the tools of financial derivatives for both business objectives and mitigate risks.

Eighth, strengthen research training, communication and international cooperation.

The human factor plays an important role, key in all activities. Therefore, the training must be a top priority and is performed regularly. In particular the stock market and the stock market derivative transactions in particular are areas that require knowledge, high professional level, but now it is too new in Vietnam. So, training must be linked with relations activities expanded international cooperation and exchange of human resources training, consulting, policy development and market management.

The training and education programs are widely and strongly established for all subjects involved in derivative securities. This object consists of government, managers, brokerage firms, transaction offices, staff clearing firms and the
public. The supervising brokers and clearing as well as the employees of the transaction bureaus, companies clearing and brokerage firms need to understand what their responsibilities, nature of financial risks participation, and the importance of monitoring and enforcement of regulations.

4. CONCLUSION

Derivative securities transaction promises a new era of development of Vietnam's stock market. In a recent seminar, the agency managing the stock market has set out some further steps towards building the derivatives market. In parallel with the development of the market base, a research team, developing projects set derivative securities were securities commission established state with the goal of completing research issues of legal, reciprocal billing center, development of intermediary institutions ... the first product to be oriented as futures index contracts. This is seen as a positive move, quickly to the demand of the management body. We can say, along with challenges, this is seen as a tremendous opportunity to create a leap forward for the national stock market. So, not only from the management bodies that market participants should take steps to prepare thoroughly to grasp this opportunity.

The development of the financial market of the country both in terms of width, depth and diversity, will inevitably lead to the emergence of the derivative securities - One of the tools of risk management rather common of investors on the financial markets, helps investors to hedge risk and increase profits. Therefore, Vietnam should also have derivative securities market. So what causes restriction has to conditions forming derivative securities market in Vietnam. With the proven practice for the stock market in the period from 2012 -2014, the study recommended the development solutions derivative securities market in Vietnam.

5. REFERENCES