

Special Alert

Indochinecounsel.com | February 2025

Amendments to the Securities Law 2019 – What Market Players Need to Know?

After just four years of implementing the Securities Law 2019 (the “**Securities Law**”), regulatory updates have become necessary to close loopholes and tighten oversight, enhancing market integrity and transparency. Recent years have seen some of the biggest securities scandals in Vietnam’s history, involving leading firms in banking and real estate. Violations cross from the stock market to the bond market, including market manipulation, misinformation in securities issuance, and misappropriation of offering proceeds. The violations have had severe repercussions for investors and the broader economy. High-profile incidents involving Van Thinh Phat, FLC, and Tan Hoang Minh underscore the urgency of reform.

Recognizing these challenges, on 29 November 2024, the National Assembly passed amendments to the Securities Law (the “**Amended Securities Law**”), with the changes set to take effect on 1 January 2025. Below are the key updates that issuers, investors and other market players should be aware of.

More Stringent Rules for Public Offers and Private Placements

The Amended Securities Law introduces stricter regulations on primary markets by imposing additional conditions and documentation requirements for securities offerings while elaborating rules on the suspension and cancellation of offerings.

Public Offers: New Requirements

For public stock offerings, issuers must submit an auditor-certified report confirming their actual contributed capital at the time of stock issuance registration. This requirement aims to prevent cases like FLC subsidiary Faros, which significantly overstated its registered capital.

The Amended Securities Law also imposes new conditions on public bond offerings, including requirements for bondholder representatives, credit ratings, and limits on the debt-to-equity (D/E) ratio and bond issuance value. However, the law does not specify these conditions and limitations. Under Decree 155/2020, requirements for bondholder representatives and credit ratings currently apply only to secured bonds or those with a particularly high issuance value. A draft decree amending Decree 155 (the “**Draft Amended Decree 155**”) proposes extending these conditions to all public bond offerings, regardless of bond type or issuance value. Notably, the Draft Amended Decree 155 also introduces limitations on the D/E ratio and bond issuance value, requiring that issuers maintain a D/E ratio below 4:1 and limit bond issuance value to their equity capital. These measures aim to ensure financial stability, safeguard bondholders’ rights, and mitigate risks such as thin capitalization. However, such proposals are controversial, as they could be overly restrictive and hinder firms’ access to public financing.

Private Placements: Focus on Investor Protection

The Amended Securities Law maintains existing restrictions from the Securities Law, allowing only professional and strategic investors to subscribe to and trade privately issued securities, while introducing further refinements. Of note, the law now explicitly includes foreign investors engaged in business activities in Vietnam as professional investors. Unlike domestic investors, who must meet specific capital or capacity criteria, foreign investors are not subject to additional qualifications or a formal verification process to obtain professional investor status.

For private bond placements, the Amended Securities Law introduces a new restriction allowing individual professional investors to purchase privately issued bonds only if the bonds (i) have a credit rating, and (ii) are secured by collateral or guaranteed by a credit institution. An earlier draft of the law proposed barring individuals from purchasing privately issued bonds entirely, but the government ultimately opted for additional conditions to balance investor protection with market access.

For private stock placements, the Amended Securities Law requires the general meeting of shareholders (GMS) to specify the number of shares to be issued, the issue price, or the method for determining the price in the issuance plan.

Expanded Authority to Suspend or Cancel Offerings

The Amended Securities Law grants the State Securities Commission (SSC) broader authority to cancel public offerings beyond the previously regulated circumstances. Specifically, the SSC may cancel a public offering even after its completion if it identifies inaccuracies or material omissions in the issuance registration dossier that could affect investor decisions. Additionally, the SSC may cancel a public offering if the distribution of securities is found to be non-compliant with regulations. However, once stocks are listed or registered for trading, their public offering cannot be cancelled.

The new provisions on cancellation and suspension are also applied to private placements. The Amended Securities Law introduces clauses on suspending and cancelling private placements,

mirroring the structure and content of those applicable to public offerings. This ensures regulatory consistency across different types of securities issuances.

Increasing Legal Risks to Market Players

Stricter Public Company Status

Public companies now face stricter requirements to maintain their status, including an equity capital threshold of at least VND30 billion, in addition to existing conditions related to charter capital and shareholder structure. Companies that do not meet these conditions must notify the SSC within 15 days. If non-compliance persists for over a year, it may result in the loss of public company status.

Regulatory oversight on disclosure obligations has also been strengthened. Companies that fail to publish audited financial statements or resolutions from their annual general meetings for two consecutive years risk delisting and the loss of public company status. Additionally, issuers that complete an IPO but fail to list within a year will have their public status revoked.

Strengthened Regulations for Combating Market Manipulation

The definition of “*securities market manipulation*” has now been incorporated into the Amended Securities Law, aligning with existing provisions in Decree 156/2020 and the Criminal Code 2015. This move highlights regulators’ serious approach to maintaining market stability and protecting retail investors. The SSC and the Vietnam Stock Exchange (VNX) may increase scrutiny of non-ordinary and suspicious transactions. For example, at the end of 2024, HOSE requested an explanation from Yeah1 regarding its sharp stock price increase over five consecutive trading periods. Investors, particularly those with high-volume and frequent transactions, should be mindful of actions that could be deemed market manipulation. Listed firms should also monitor securities price fluctuations and be prepared for regulatory inquiries.

Increased Accountability Across Market Participants

Recent scandals have cast a spotlight on the need for stronger accountability among issuers and other intermediaries such as advisors, auditors, and underwriters, particularly in the securities offering process. The Amended Securities Law steps up to the challenge by holding these market participants to a higher standard, with key provisions including:

- Organizations and individuals responsible for preparing securities-related documents must guarantee their accuracy, completeness, and transparency, ensuring that investors have all the information needed to make informed decisions.
- Advisors are required to act with integrity and diligence, conducting thorough analysis and due diligence when reviewing dossier information.

- Auditors must rigorously adhere to auditing standards, taking responsibility for their opinions on the accuracy and fairness of audited financial statements.

A key clarification in the Amended Securities Law is that regulatory bodies are responsible only for verifying the validity of submitted documents, not for endorsing their accuracy. A submission is considered valid if it includes all required documents with fully disclosed contents, in accordance with legal regulations.

Epilogue

The Amended Securities Law primarily aims to address weaknesses exposed in recent enforcement actions rather than introducing a comprehensive reform of Vietnam's capital markets. While these changes enhance transparency and investor protection, they may also introduce compliance burdens that could restrict market growth in the short term.

As Vietnam strives to upgrade from a "frontier" to an "emerging" market, these legislative adjustments reflect regulators' efforts to align with global standards. Whether these measures will strengthen market confidence without stifling capital-raising activities remains to be seen. What is certain, however, is that all market participants must adapt to the evolving regulatory landscape to navigate Vietnam's capital markets effectively.

About Indochine Counsel

Established in October 2006, Indochine Counsel is a leading commercial law firm in Vietnam. Our firm is ideally positioned to assist international investors and foreign firms to navigate the legal landscape in one of Asia's most dynamic and challenging countries. We also take pride in our services offered to domestic clients in searching for opportunities abroad. With over 45 lawyers many of whom have been trained abroad and staffs in two offices, Ho Chi Minh City and Hanoi, Indochine Counsel offers expertise in a dozen practice areas and provides assistance throughout the entire life cycle of your business.

Indochine Counsel represents and advises clients on all legal aspects in the following major areas of expertise:

- Anti-trust & Competition
- Banking & Finance
- Corporate & Commercial
- Energy, Natural Resources & Infrastructure
- Intellectual Property
- Inward Investment
- Labour & Employment
- Litigation & Dispute Resolution
- Mergers & Acquisitions
- Real Estate & Construction
- Securities & Capital Markets
- Technology, Media & Telecommunications

A full list of partners, associates and other professionals is available on our website. |

Contact Us

For further information or assistance, please contact the following Indochine professionals:



Dang Hoan My

Partner | Co-Head of Corporate and
M&A, Projects & Infrastructure

E my.dang@indochinecounsel.com



Ngo Dang Loc

Associate | Deputy Head of Banking &
Finance, Capital Markets

E loc.ngo@indochinecounsel.com

Ho Chi Minh City

Unit 305, 3rd Floor, Centec Tower
72-74 Nguyen Thi Minh Khai, District 3
Ho Chi Minh City, Vietnam

T +84 28 3823 9640

F +84 28 3823 9641

E info@indochinecounsel.com

Hanoi

Unit 705, 7th Floor, CMC Tower
Duy Tan Street, Cau Giay District
Hanoi, Vietnam

T +84 24 3795 5261

F +84 24 3795 5262

E hanoi@indochinecounsel.com

www.indochinecounsel.com

This Special Alert is designed to provide our clients and contacts with general information of the relevant topic for reference only, without the assumption of a duty of care by Indochine Counsel. The information provided is not intended to be nor should it be relied upon as a substitute for legal or other professional advice.

© 2025 Indochine Counsel | All Rights Reserved.