

## Credit Insights

## Stronger Rules, Weak Risk Pricing: Vietnam's Bond Reform Remains Incomplete

Decree 200 – effective 5 June 2026 – is credit positive because it raises issuance standards, improves disclosure, and strengthens investor safeguards in Vietnam's private placement bond market, which accounts for about 90% of issuance. The reform sets a stronger baseline for issuer behavior and regulatory oversight, helping screen out weaker issuers, improve average credit quality, and rebuild market confidence after the 2022–2023 disruption. However, it does not fully address the market's core structural weakness: limited risk-based pricing caused by low ratings adoption and the absence of a credible corporate bond yield curve.

**Stronger issuance rules improve risk visibility and reduce regulatory uncertainty.** Decree 200 gives investors a stronger basis to differentiate issuer risk by requiring more detailed disclosure of repayment capacity, leverage, collateral, proceeds use, refinancing plans, and project execution risks. It also consolidates a fragmented set of post-crisis measures introduced under Decree 65, Decree 08, and the 2024 amendments to the Securities Law into a more coherent framework for issuance, disclosure, and investor eligibility. Greater regulatory clarity should support market re-engagement and a gradual recovery in issuance.

**Stricter issuance standards improve credit quality, but unevenly.** A total liabilities-to-equity cap below five times restricts market access for highly leveraged issuers, shifting issuance toward stronger credits. Clearer supervisory responsibilities and stronger legal accountability should support more consistent enforcement. However, exemptions for state-owned enterprises, financial institutions, and project-based real estate issuers will dilute the overall credit impact because some large or higher-risk issuer groups remain outside the leverage constraint.

**Stronger investor protections support confidence, but execution capacity remains the constraint.** Mandatory credit ratings, collateral, or full-principal guarantees for bonds sold to individual professional investors add safeguards, while retail restrictions reduce mis-selling risk and liquidity volatility. Decree 200 also prohibits issuers from using their own shares or bonds as collateral, limiting weak or circular credit support. However, restrictions on credit institutions acting as collateral trustees have reduced capacity, weakening secured structures and constraining issuance. The SBV's June 2026 draft amendment allowing banks to manage collateral aims to ease this bottleneck. Bondholder representation remains nascent, and limited experience with these expanded responsibilities may constrain the consistency and timeliness of enforcement outcomes.

**Limited risk-based pricing remains the market's key structural weakness.** Credit ratings are applied selectively, and most institutional issuance remains unrated. Vietnam also lacks a transaction-based corporate bond yield curve differentiated by credit quality and tenor, leaving pricing largely negotiation-driven. Evidence from the 2022–2023 market stress shows that bonds that defaulted did not carry materially higher coupons than non-defaulting peers, indicating a systemic failure to differentiate risk. Defaults were concentrated among highly leveraged real estate issuers exposed to speculative, investment-driven demand rather than underlying housing needs. Limited transparency and the absence of credit ratings constrained risk assessment, contributing to inadequate risk premia and persistent mispricing.

**Overall, Decree 200 is credit positive but does not fully address market efficiency.** Without broader adoption of ratings, a credible yield curve, and more effective collateral enforcement, the market will remain only partially reformed. The next phase should move beyond crisis prevention and focus on the infrastructure needed to measure, price, and trade credit risk. Without that shift, Vietnam's corporate bond market may become safer, but not yet deep or efficient enough to fully support long-term capital formation.

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## Stronger issuance rules improve risk visibility and reduce regulatory uncertainty

Decree 200 materially improves transparency, enhancing risk visibility and restoring clarity in bond issuance. More granular and standardized disclosure requirements provide deeper insight into issuer fundamentals, including cash flow generation, leverage, and repayment capacity.

The decree clarifies eligible uses of bond proceeds for project development (e.g., capital injections, BCC contracts) and requires disclosure of legal approvals, development status, and execution risks. For refinancing bonds, issuers must clearly identify underlying obligations and repayment structures. Issuers are also required to disclose how proceeds are allocated by purpose, expected disbursement timelines, and the management of temporarily idle funds, including bank deposits.

### Exhibit 1: Summary of key changes to private placement bond issuance rules under Decree 200

Category	Prior to Decree 200	New requirements under Decree 200	Credit Implications
 <b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>General guidance</li> </ul>	<p>More detailed disclosure:</p> <ul style="list-style-type: none"> <li>Project bonds: Legal approvals, project status, execution process, and key risks</li> <li>Refinancing bonds: Refinanced debt details and repayment schedule</li> <li>Proceeds: Amount, expected disbursement, and temporary idle deposits.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce regulatory uncertainty</li> <li>Improve issuer repayment visibility</li> </ul>
 <b>Collateral</b>	<ul style="list-style-type: none"> <li>Disclose quality and valuation, claim priority and enforcement</li> <li>No collateral restrictions</li> </ul>	<ul style="list-style-type: none"> <li>Add: Liquidation plan</li> <li>Bonds sold to retail investors: No issuers' shares, bonds as collaterals</li> </ul>	<ul style="list-style-type: none"> <li>Clearer collateral visibility</li> <li>Stronger bondholder protection</li> </ul>
 <b>Leverage threshold</b>	<ul style="list-style-type: none"> <li>No mention</li> </ul>	<ul style="list-style-type: none"> <li>5x liabilities/equity cap for non-public issuers</li> <li>Exemption: SOEs, FIs and project-based real estate</li> </ul>	<ul style="list-style-type: none"> <li>Improve credit quality of issuances</li> </ul>
 <b>Mandatory credit rating</b>	<ul style="list-style-type: none"> <li>Issuer or bond rating if exceed leverage or issuance threshold</li> </ul>	<ul style="list-style-type: none"> <li>Bonds sold to individual professional investors: must have credit rating and either secured by collateral assets or backed by payment guarantee</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen credit transparency</li> </ul>
 <b>Bondholder amendments</b>	<ul style="list-style-type: none"> <li>No clear repayment timeline for opposing bondholders</li> </ul>	<ul style="list-style-type: none"> <li>Issuers to repay opposing bondholders prior to changing bond terms approved by &gt;65% of bondholders</li> </ul>	<ul style="list-style-type: none"> <li>Stronger bondholder protection</li> </ul>
 <b>Trustee participation</b>	<ul style="list-style-type: none"> <li>General guidance</li> </ul>	<ul style="list-style-type: none"> <li>Add: Bondholder representatives may manage or appoint a third party to manage collateral</li> </ul>	<ul style="list-style-type: none"> <li>Clearer representative roles</li> <li>Further legal reforms needed</li> </ul>

Source: Ministry of Finance (MOF), VIS Rating

Enhanced collateral disclosure improves transparency on asset quality, valuation, seniority, enforcement positioning, and liquidation plans—areas that were previously opaque and contributed to investor uncertainty.

More broadly, Decree 200 consolidates a fragmented set of post-crisis measures—spanning Decree 65, Decree 08, and the 2024 amendments to the Securities Law—into a unified framework governing issuance, disclosure, and investor eligibility. Requirements for financial disclosure, use of proceeds, and post-issuance reporting are now more consistent, while investor eligibility and credit rating requirements are applied more uniformly across issuance types. Alignment of public and private placement requirements now further strengthens regulatory coherence.

Clearer rules also resolve regulatory ambiguity following the November 2025 revisions to private bond regulations, enabling issuers and intermediaries to re-engage with the market. This supports a gradual recovery in issuance and broadens the supply of investable assets for institutional and professional individual investors.

### Stricter issuance standards to improve credit quality, but unevenly

The tightening of issuance conditions represents a structural shift that raises the bar for market access and reinforces credit discipline. The introduction of a total liabilities-to-equity cap below five times restricts market access for highly leveraged, non-public and more speculative issuers, shifting market composition toward stronger credits. However, exemptions for state-owned enterprises, financial institutions and project-based real estate issuers may dilute the overall impact.

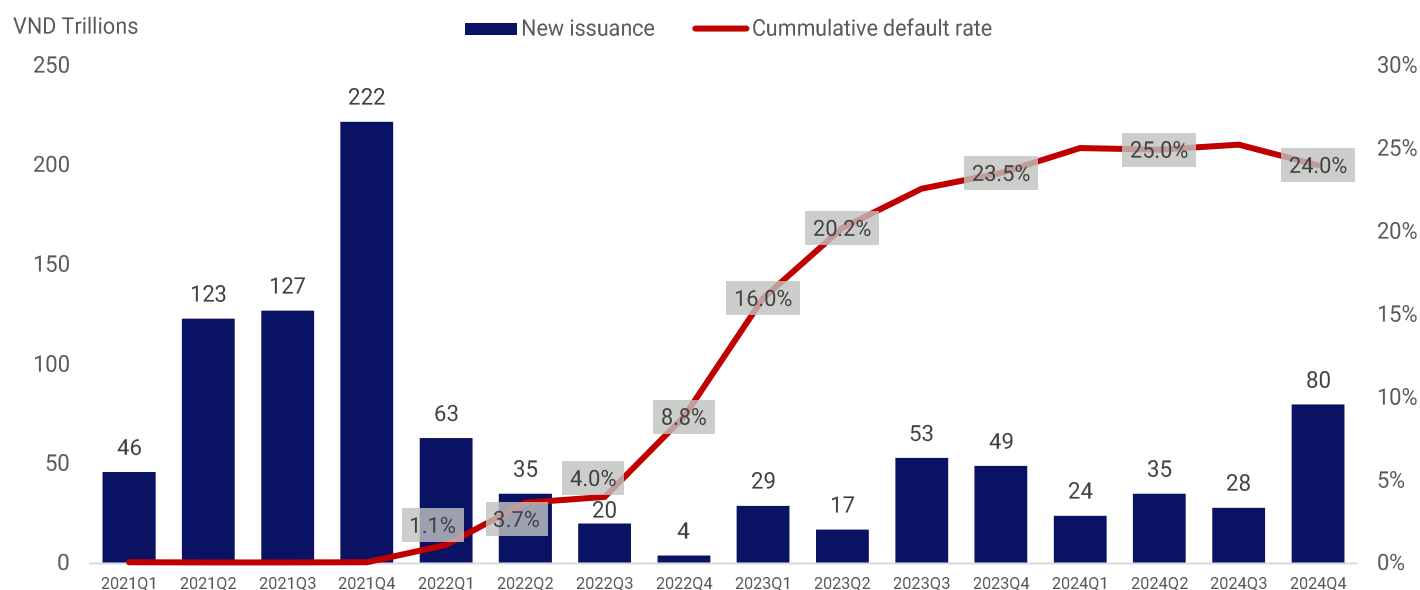
Clearer allocation of supervisory responsibilities across the Ministry of Finance, the State Securities Commission, exchanges and depository institutions strengthens oversight of issuance, trading, and disclosure. This is complemented by enhanced legal accountability for issuers and intermediaries, signaling stronger enforcement intent and reducing misconduct risk.

Together, these measures are likely to improve overall credit quality and enhance market resilience, although pockets of risk may persist where exemptions apply.

We note that defaults during the 2022–2023 market stress (Exhibit 2) were concentrated among unlisted, highly leveraged real estate issuers with either weak or no operating cash flows. These issuers faced significant liquidity mismatches, relying

on short-dated bonds to fund new long-term projects, leaving them distressed when market liquidity tightened and refinancing options diminished.

## Exhibit 2: Corporate bond issuance collapsed during 2022-2023 market stress



Note: Data excludes bonds issued by banks

Source: HNX, SSC, VIS Rating

## Stronger investor protections support confidence, but trustee capacity and enforcement constrain effectiveness

Investor protections are materially strengthened, supporting confidence and reducing the risk of destabilizing market behavior. Bonds sold to individual professional investors are now subject to mandatory credit ratings and must be secured with collateral or backed by guarantees covering full principal, embedding multiple layers of protection.

Issuers are also prohibited from using their own shares or bonds as collateral, strengthening transaction structuring and preventing the use of low-quality or circular collateral that provides limited real protection and may mislead investors about the strength and effectiveness of credit support.

However, constraints in market infrastructure limit effectiveness. Restrictions imposed by the State Bank of Vietnam (SBV) in July 2024 on credit institutions acting as collateral trustees have reduced trustee capacity, weakening the effectiveness of secured bond structures and constraining issuance. To address these constraints, the SBV's June 2026 draft amendment<sup>1</sup> would allow banks to manage collateral for bond transactions, supporting broader trustee participation and improving the effectiveness of collateral-based protections.

The decree also clarifies the role of bondholder representatives in monitoring issuer compliance with bond terms and covenants, identifying breaches, and coordinating remedial actions, including collateral enforcement and guarantor payment. However, this function remains nascent and untested in default scenarios.

Execution is likely to be complex, given limited experience among service firms in performing the new requirements, reliance on legal enforceability and extensive coordination among multiple stakeholders—including issuers, regulators, bondholders (including individuals), and guarantors—which may constrain the consistency and timeliness of outcomes.

Bondholder rights are strengthened by requiring issuers to repay investors who oppose key bond-term amendments before implementing changes approved by holders of at least 65% of outstanding bonds. Restrictions on retail participation in private placements also reduce mis-selling risk and limit liquidity shocks from shifts in retail sentiment, as observed during the 2022–2023 market stress.

Overall, these measures address structural weaknesses exposed during the last period of market stress and support a transition toward a more stable, institutionally driven investor base. Their effectiveness, however, will depend on further improvements in trustee capacity, legal enforceability, and market infrastructure.

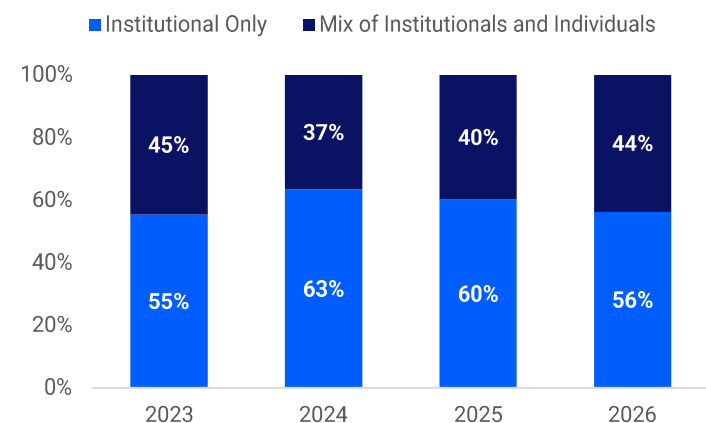
<sup>1</sup> Refer to [SBV draft amendments to 2024 Credit Institutions Law](#)

### Limited risk-based pricing remains the market’s key structural weakness

Despite these gains, a critical constraint remains: the absence of a robust risk-based pricing framework.

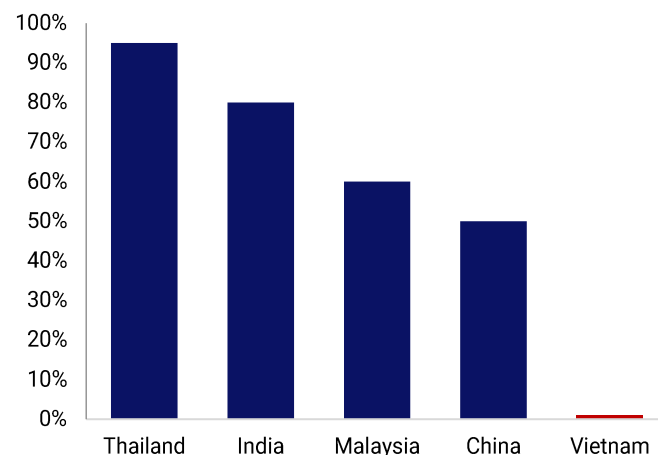
Credit ratings continue to be applied selectively, largely limited to bonds sold to individual investors, while institutional issuance (Exhibit 3) remains predominantly unrated. Over the past 12 months, the majority of bonds were issued to institutional investors, leaving a large share of the market without rating-based pricing. We estimate that rated bonds account for only around 1% of total corporate bonds outstanding (Exhibit 4).

**Exhibit 3: More than half of private placement bonds are sold to institutional investors**



Note: Private placements  
Source: HNX, SSC, VIS Rating

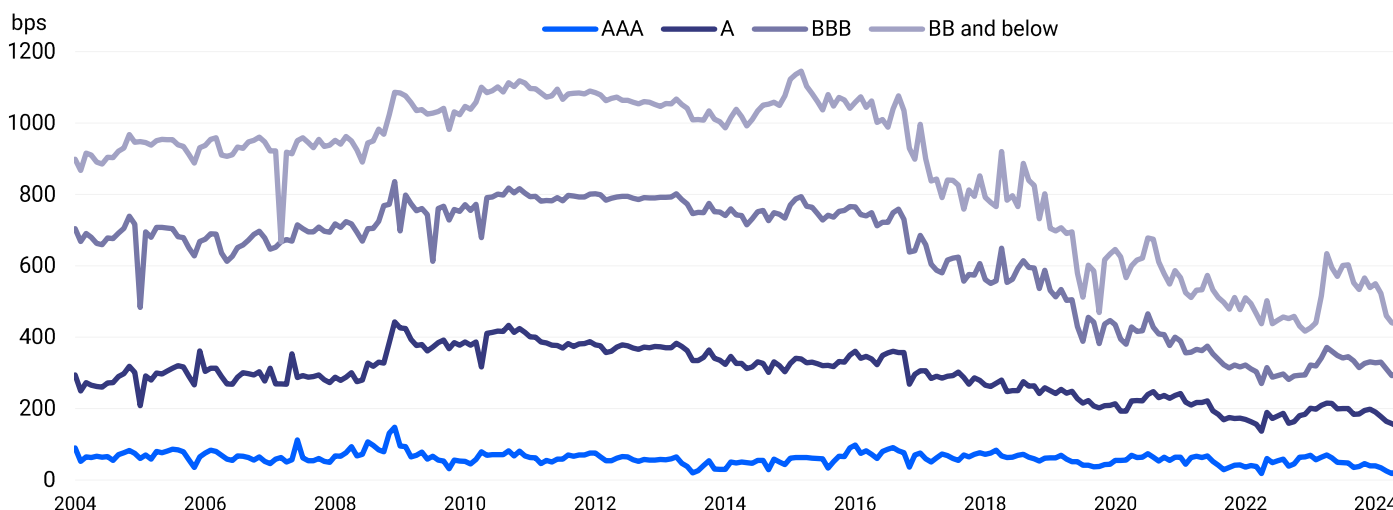
**Exhibit 4: Only 1% of Vietnam’s corporate bonds outstanding are rated, well below regional peers**



Note: % of bond ratings  
Source: VIS Rating

More fundamentally, Vietnam lacks a functioning, transaction-based corporate bond yield curve that differentiates pricing by credit quality, tenor, and structural features. This contrasts with regional peers such as Malaysia and Thailand, where yield curves provide consistent benchmarks for risk pricing (Exhibit 5).

**Exhibit 5: Malaysia’s corporate bond yield curve shows clear differentiation by credit quality**



Note: Latest available data as of 2024  
Source: Asian Bonds Online, VIS Rating

Malaysia and Thailand introduced mandatory bond ratings in the early 1990s, and ratings remain widely used despite Malaysia removing the requirement in 2017. Both markets are significantly deeper than Vietnam’s, with corporate bond markets at around 50% and 30% of GDP, respectively, supported by institutional investors—primarily pension funds, insurers, and mutual funds—accounting for over 50% of participation, compared with less than 10% in Vietnam.

Bond pricing in Vietnam remains largely negotiation-driven and influenced by supply-demand dynamics, resulting in fragmented and inconsistent outcomes. This weakness was evident during the 2022–2023 market stress, when our analysis shows that bonds that subsequently defaulted did not carry materially higher coupons than non-defaulting peers (Exhibit 6), indicating a systemic failure to differentiate credit risk.



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