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COMMERCIAL BANK'S BOND BUSINESS INVESTMENT UNDER THE VIEW OF GUARANTEEING FREEDOM OF BUSINESS AND SYSTEM SAFETY: THE CASE OF VIETNAM

Le Thi Thao

University of Law, Hue university, Vietnam

Email: ltthao@hueuni.edu.vn

Abstract:

Investment in bond trading accounts for a significant proportion in the business and investment activities of commercial banks, it not only brings profits to commercial banks but also plays an important role in the bond market and the growth of the bond market. socio-economic development of each country. With new changes in the economy recently: the economic crisis, the covid 19 epidemic has had a significant impact on business strategies as well as changing orientations in legal policies of countries. On the basis of information, secondary documents, financial statements on business activities of commercial banks and legal policies, the article approaches from the practice of bond investment activities of commercial banks. Trade in Vietnam from the perspective of commercial banks' freedom to do business and the central bank's control mechanism, thereby proposing solutions to improve the law on bond investment activities of commercial banks. while ensuring freedom of business towards the goal of sustainable development and ensuring the safety of the banking system and the economy.

Keywords: Investment, business, bonds, business investment activities, law, business rights, safety of the system, commercial banks, Vietnam.

I. Introduction

Bond trading activities account for a significant proportion in business investment activities of commercial banks. Bond trading activities not only bring profits to commercial banks but also

play an important role in the bond market and the socio-economic development of each country. Over the past time, our state has issued many legal regulations on conditions and limits for bond investment, inspection and supervision mechanism in bond investment business, risk management mechanism, etc. risks to ensure the sustainable development of the bond market in particular and the economy in general. However, the practice of this investment still has many shortcomings and limitations. On the documents and secondary information, the article is the current legal and practical situation of the bond investment business of banks over the past time, thus providing solutions to improve the law on business business. investment in bonds of commercial banks and at the same time contribute to orient the business investment strategy of commercial banks towards the goal of sustainable development.

Bond investment business has become an important tool for commercial banks to improve capital structure and conduct allocation . One frequently heard worry is that bond markets could take business away from the banks. This raises some potential concerns for bank supervisors. On the other hand, if it means firms are less vulnerable to weaknesses in the banking system, corporate bond applying can help central banks achieve steady economic growth. Banks also play an important role in developing a private sector bond market as they are often among the most important issuers, holders, dealers, advisers, underwriters, guarantors, trustees, custodians and registrars in this market. Indeed, banks are deriving more of their profits from such activities and less from lending. For this reason, it is important to have healthy banks to have a sound bond market. And a bond market may the health of banks, by improving market discipline (Bank for International Settlements, 2022).

Especially with the impact of the Covid-19 epidemic, risks in business activities have had a significant impact on business investment activities of commercial banks, requiring commercial banks to have change orientations in business strategies. as well as having a state management regime that not only ensures the freedom of business but also ensures the safety of the system as well as the economy. Over the past time, the Vietnamese state has issued many legal regulations on conditions and limits for bond investment, inspection and supervision mechanism in bond investment business, and governance mechanism. risks to ensure the sustainable development of the bond market in particular and the economy in general, besides, commercial banks have made adjustments in the direction of business investment to adapt to the fluctuations of the economy. economic and legal policies of the state. However, the practice of this investment still has many shortcomings and limitations. On the basis of documents and secondary information, the article analyzes the current legal and practical situation of the bond investment business of commercial banks over the past time, thereby proposing solutions to improve the law on business activities. Bond investment by commercial banks ensures business freedom and contributes to orienting commercial banks' investment and business strategies towards the goal of sustainable development of the banking system and the economy.

II. Theoretical Framework

The study is based on the theory of investment activities of enterprises in general and investment activities of commercial banks in particular, and aims at ensuring the safety of the banking system through the banks' monetary policy. center.

In addition, the well-organized financial system of a country plays a great role in the economic development of that country, as it transfers financial resources from savers to those who need them. As part of the financial system, financial institutions such as commercial banks, financial companies and financial cooperative societies are important vehicles for the development of economy, trade and business and other productive sectors that contribute to the economic growth of the nation. The mobilization of financial resources, capital formation, and their proper utilization play key role in the economic development of the country. Among them, the role of commercial banks is perhaps the most important in the economic development in the country. Commercial banks provide capital for the development of industry, trade and business by investing the saving collected as deposits from the public. They render various other services to their customers facilitating to improve their economic and social life. They are the most important instruments for the country's development. Therefore, a competitive and reliable banking system is essential to every country to develop.

The word 'investment' connotes the investment of income, saving or other collected funds. Investment is possible only when there is adequate saving. If all the incomes are consumed now for fulfilling basic needs, then there is nothing to investment.

Therefore, both the saving and investment are related. A distinction is often made between investments and saving, saving is defined as foregone consumption; investment is restricted to real investment of the sort that increases national output in the futures. It is always true that all people want to invest their money in the most profitable for good return, but there is always risk associated with it.

Francis (1983) states, "Investing involves making a current commitment of funds in order to obtain an uncertain future return. It is a risky business that demands information. To process information effectively and select the best investment requires goals that are clear cut and realistic In simple term investment is making a current commitment of funds that is expected to generate additional money in future.

However, in the broadest sense it means the sacrifice of current rupees for future rupees that take place at present and certain time." similarly, Sharpe (1986) defines "Investment in the actual sense refers to the sacrifice of current dollars for future dollars". Investment involves two attributes, time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if at all and the magnitude of which is uncertain In some cases, the element of time predominates (for example, call option on common stock).

Therefore, it can be said that investment is concerned with the management of the investor's wealth. Funds to be invested come from trade assets already owned, borrowed money, and saving or foregone consumption. By foregoing consumption today and investing the saving, investors expect to enhance their future consumption possibilities, they are investing to increase wealth.

Investors also seek to manage their wealth effectively by gaining the most profit while protecting it from inflation, taxes and other factors. Thus investment policies are the strategies of finding out the answers of where to invest? How much to invest?

When to invest? However, there are no specific rules regarding investment policy of a bank and thus it has to keep increasing the safety and liquidity of its resources to meet the potential demand of its resources. Since the objective of profitable conflicts with those of safety and liquidity, the wise investment policy is to strike a judicious balance between them. Therefore,

a bank has to lay down its investment policy in such a manner ensure the safety and liquidity of its funds and at the same time maximizing its profits. Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in the saving account of a bank, the bank may invest by lending the funds to various entrepreneurs' business firms. These firms in return may invest the money in new founding to enhance their production. In addition to borrowing from banks, most companies issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in major projects of national interests, such as the construction of dams, roads, irrigation, educational institutions...(Vandana Atal, 2010).

The commercial banks are inspired with the goal of earning profit. There are many reasons for having profit as their goal. A bank is like a legal person where shareholders are the owners of the bank, the board of directors is the agent of the bank that operates the bank. There are many employees who were appointed to run the banks and to run the banks, it needs a great amount of expenses, whether it is direct or indirect, there is continuous expense in the bank. The main aim of any person or institution to invest the money in the bank is to earn more profit only. There is only one bank ie central bank which is established without the aim of gaining profits. Other banks are inspired with the objective of earning profit and helping the economic development and finally to take the social responsibility. They should have the ability to use the policy of banking investment and to implement it much more carefully otherwise a bank may be successful in its goal (Bhandari, 2003).

III. Methodology

Research on the approach of commercial banks to freedom of business, the article is based on secondary information documents on the business and investment activities of commercial banks through financial statements, formal information and information with the role of a management subject in the business activities of commercial banks. In addition, the topic has a multi-sectoral approach to economics - administration - law to analyze and evaluate the impact of policies and laws on the investment and bond business activities of commercial banks and propose solutions. legal solutions on the basis of approaching the freedom of business of commercial banks and at the same time approaching under the Constitutional law to ensure the realization of the State's goals towards the safety of the banking system and sustainability for the economy.

IV. Investment activities and bond trading of commercial banks and its impact on the economy

A commercial bank is a business entity that provides traditional credit capital for the economy, besides providing traditional credit capital, a commercial bank also conducts investment and capital contribution activities. joint ventures with other domestic and foreign enterprises. One of the investment activities that accounts for a large proportion for the existence of commercial banks is investment and trading in bonds.

In the financial sector, the terms "investing" and "trading" both refer to the purpose of seeking profits in the financial markets. Investing activities are often associated with buying and holding investment instruments for a long period of time in order to seek profit on an

interest basis (bonds, dividends). Trading activities involve regularly buying and selling securities in a short period of time for the purpose of making profits on the basis of price differences. Thus, the bond trading activities of commercial banks can be approached. under two aspects are: (i) commercial banks buy bonds to hold until maturity and sell them on the secondary market; (ii) Commercial banks carry out activities related to bonds (mortgage, discount, buy bonds and reverse repo) for the purpose of enhancing liquidity and generating income for the bank. and diversify investment and business activities to spread risks. On the other hand, when participating in investment and trading in securities of commercial banks as an investor in securities trading and making profits as an issuer. issue bonds to attract capital. Features and advantages of bond investment activities of commercial banks

- Bond investment activities of commercial banks are investment activities to seek profit;
- Bond investment activities of commercial banks have the advantage of attracting investment from other investors due to the prestige of commercial banks;
- Bond investment activities of commercial banks enhance liquidity, at the same time bring income to the bank and diversify investment and business activities to spread risks .

Investment activities in bond trading have an impact on commercial banks, which are:

First, stabilize the bank's income, when the income from credits decreases, the income from bond investment can compensate to create a balance of income in the business period of the bank (this is a lifeline of banks in regulating and controlling sustainable business activities, especially in the period of Covid_19 with reduced credits of banks;

Second, offsetting credit risk for low-risk bonds purchased and held by banks to balance credit risk;

Third, provide a diversification of investment and returns through different types of bonds of different entities;

Fourth, provide reserves for banks to convert bonds into money sources to satisfy current liquidity needs or to pledge additional loans for banks.

With such impacts, commercial banks must develop appropriate investment policies to ensure efficiency in investment activities and ensure safety for banks . In addition, the investment business activities of the commercial banking system also affect the safety of the banking system and the economy. For commercial goods, the State also develops appropriate legal policies to limit risks and ensure system safety.

According to the SBV, by the end of 2021, there are 41 credit institutions holding 274 trillion VND (11.7 billion USD) of corporate bonds, of which more than 75% of them are held by ten major banks - Techcom bank, MBBank, VPBank, TPBank, BIDV, Vietcombank, VietinBank, HDBank, ABBank and SeABank. At some banks, the value of corporate bonds exceeds 10% of total assets (VNA, 2022).

According to statistics , banks and securities companies are currently the largest investors in the primary market, holding up to 52% of the total amount of corporate bonds issued in the past year, with a total worth up to VND 373,000 billion (Le Phuong, 2022).

The bank holding the largest amount of corporate bonds is Vietnam Technological and Commercial Joint Stock Bank (Techcombank) with VND 62,809 billion, up 34.4% compared to the end of 2020 .Next is Military Commercial Joint Stock Bank (MB) with a bond holding of nearly 43,000 billion VND, Vietnam Prosperity Commercial Joint Stock Bank (VPBank) with 27,782 billion VND, Tien Commercial Joint Stock Bank Phong (TPBank) with VND 18,577 billion.

In addition, many banks also own over VND 10,000 billion in corporate bonds such as Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank), Joint Stock Commercial Bank for Industry and Trade of Vietnam (VietinBank) and Commercial Joint Stock Bank for Development of Ho Chi Minh City (HDBank) (Le Phuong, 2022). However, the reality shows that the bond investment and trading activities of commercial banks have *"hidden corners"* with many potential risks affecting the bank's business ability, investors' interests and sustainability of the economy. According to Associate Professor, Dr. Dinh Trong Thinh, an economist, the massive purchase of corporate bonds by some banks in the past time may be for the purpose of debt reversal and debt restructuring for businesses. Because if there is no money to repay the loan by the due date, the bond issuance will help the business repay the debt on time, without affecting the credit rating. In other words, this is a way banks and businesses "shake hands" using corporate bonds to reverse debt.

On the other hand, corporate bonds can be a way to help commercial banks both "circumvent the law" to lend to real estate businesses, securities companies and avoid the order to restrict lending to risky areas. without having to make provision for risks, while cleaning up the balance sheet (Le Phuong, 2022).

According to a report by SSI Securities Company, banks and securities companies are the largest investors in the primary market when holding up to 52% of the total amount of corporate bonds issued in 2021. Total amount of corporate bonds issued in the first quarter of 2022 reached VND 61,900 billion, up 34% compared to the same period in 2021. SSI forecasts that the demand for bond issuance will still be very abundant in 2022. Cause, the number of corporate bonds maturing in two years 2022- 2023 is about VND 540,000 billion, leading to a very high demand for issuance to ensure capital turnover of enterprises. "If the enterprise is insolvent, unable to pay its debts, the security assets will be handled. However, it is not easy to value collateral assets, especially those that are formed in the future and unlisted corporate shares. Not to mention, when an incident occurs in the enterprise, the value of shares used as collateral will also decrease seriously and the person who bears the risk is the investor" (Rangaswami & Mahadevan, 1998).

According to the report, by April 2022, credit for securities investment and trading accounts for about 0.5 percent of the total outstanding loans of the economy, mainly short-term loans (98 percent). By the end of April, the total outstanding debt of investment in corporate bonds of credit institutions was 320.4 trillion VND (13.8 billion USD), accounting for 2.86 percent of the total outstanding credit balance, which demonstrates that investment activities in corporate bonds of credit institutions are still under control.

V. Regulations on principles of buying and selling corporate bonds of commercial banks

According to Article 4 of Circular 16/2021/TT-NHNN stipulating the principles of buying and selling corporate bonds as follows:

1. Credit institutions may buy and sell corporate bonds in accordance with the contents of buying and selling corporate bonds stated in the License issued by the State Bank of Vietnam.
2. The purchase and sale of corporate bonds by credit institutions shall comply with the provisions of the Law on Credit Institutions (amended and supplemented), the Law on

Securities, the Law on Enterprises, the Circular and other provisions of the Law on Credit Institutions. provisions of relevant laws.

3. Credit institutions that buy and sell corporate bonds must have an internal credit rating system and must issue internal regulations on buying and selling corporate bonds in accordance with the Circular and other regulations. provisions of relevant law.

4. Credit institutions that purchase convertible bonds and warrant-linked bonds must comply with the provisions of the Law on Credit Institutions (amended and supplemented) and guidance of the State Bank of Vietnam on capital contribution, share purchase and relevant provisions of law...

5. Credit institutions may only buy corporate bonds when:

- a) Corporate bonds that meet the requirements of Article 5 of this Circular;
- b) The purpose of using the proceeds from the bond issuance of the enterprise is lawful and consistent with the bond issuance plan and/or the capital use plan, the proceeds from the offering, the issued approved in accordance with the law (hereinafter referred to as the plan);
- c) The issuing enterprise commits to redeem bonds before maturity when: The issuing enterprise changes the purpose of using proceeds from the bond issuance while the credit institution holds the bonds; the issuer violates the law on corporate bond issuance; the issuing enterprise violates the plan;
- d) The feasible plan and the bond-issuing enterprise having financial capacity to ensure full payment of bond principal and interest on time;
- dd) The issuing enterprise has no bad debt at credit institutions within the last 12 months before the time the credit institution buys corporate bonds

6. In addition to meeting other provisions of this Article, credit institutions may only purchase corporate bonds that the issuing enterprise has changed the purpose of using proceeds from bond issuance in accordance with the provisions of law. before the time when the credit institution buys the bond when the bond issuer is rated at the highest level according to the credit institution's internal credit rating regulations at the latest time."

Thus, when commercial banks buy bonds, the bonds must meet the above conditions and the issuing enterprise has no bad debt at credit institutions within the last 12 months before the time the credit institution buys the bonds. enterprise.

VI. Regulations on allowing entities to invest in and trade in bonds

The legal framework for the operation of the bond market and for the bond investment and business activities of commercial banks has been promulgated, revised and increasingly improved in order to create favorable conditions for commercial banks in investment and business activities. For the licensing of credit institutions' operations related to corporate bonds, according to the provisions of Article 106, Article 107 of the Law on Credit Institutions (amended and supplemented), commercial banks are allowed to buy, selling corporate bonds; securities depository (including corporate bonds); agents in fields related to banking activities, insurance business, and asset management in accordance with regulations of the State Bank. According to the provisions of the Law on Securities and Clause 3, Article 14 of the Government's Decree No. 153/2020/ND-CP dated December 31, 2020, providing for the private placement of corporate bonds in the domestic market and the offering for sale. Corporate bonds to the international market: "Bidding, underwriting and corporate bond

issuance agents include securities companies, credit institutions and financial institutions authorized to provide bidding, underwriting and issuance agency services. according to regulations of the Law".

Pursuant to the provisions of the Law on Credit Institutions, the Law on Securities and Decree No. 153/2020/ND-CP, Circular No. 40/2011/TT-NHNN dated December 15, 2011 of the State Bank on licensing and organization and operation of commercial banks, foreign bank branches, representative offices of foreign credit institutions and other foreign organizations having banking activities in Vietnam (amended and supplemented) activities stated in the license include buying and selling corporate bonds; securities depository; In case the commercial bank's license includes agency activities in the fields related to banking activities, insurance business, and asset management, the commercial bank may act as a corporate bond issuance agent and insured asset management agent. guarantee in the issuance of corporate bonds. Under the direction of the Government, the State Bank has strictly controlled the lending and investment in securities business, including stocks and bonds.

VII. Regulations on limits in bond investment and business activities

In Circular No. 22/2019/TT-NHNN dated November 15, 2019 of the Governor of the State Bank of Vietnam promulgating regulations on the limits and ratios of safety assurance in the operations of banks and foreign bank branches. force since 2020 has strictly controlled the investment and trading of corporate bonds of credit institutions. Accordingly, credit institutions are only allowed to lend for investment and trading in securities, including stocks and bonds, not exceeding 5% of charter capital.

Besides, if investing, lending securities, real estate, the cost of capital is also very expensive because according to Circular No. 22/2019/TT-NHNN, the risk weight is higher when lending for investment. Securities business, real estate from 150% to 200%, that is, if lending to that field, the cost of capital that the bank has to spend will be 1.5 to 2 times higher than that of commercial lending, normal production and business.

Next is Circular No. 16/2021/TT-NHNN dated November 10, 2021 regulating the purchase and sale of corporate bonds by credit institutions and foreign bank branches (NHNN) (replacing Circular No. 15/2018/TT-NHNN) dated June 18, 2018 and Circular No. 22/2016/TT-NHNN dated June 30, 2016); Accordingly, continue to closely review the lending or investment to buy corporate bonds of credit institutions such as: Credit institutions are not allowed to buy issued corporate bonds, which is for the purpose of restructuring corporate debts in order to strictly prohibit the use of corporate bonds. cases where enterprises use capital from credit institutions through bond issuance channels to pay old debts at credit institutions; Credit institutions can only buy corporate bonds when the credit institution has a bad debt ratio of less than 3% according to the latest classification period; Credit institutions are not allowed to buy corporate bonds issued with the purpose to increase the size of operating capital; Credit institutions are not allowed to buy corporate bonds issued for the purpose of contributing capital or buying shares in other enterprises; A credit institution may not sell corporate bonds to its own subsidiary, unless the credit institution is a compulsory transferee and sells corporate bonds to a commercial bank subject to compulsory transfer...

In addition, Circular No. 16/2021/TT-NHNN also stipulates that banks can only buy bonds of issuers without bad debts at credit institutions in the last 12 months; Issuing enterprises

commit to buy back bonds before maturity when changing the purpose of using proceeds from bond issuance while credit institutions hold bonds... It can be said that Circular No. 16/2021/TT-NHNN has stricter points to contribute to controlling risks in the investment activities of corporate bonds of credit institutions, ensuring the safety of banking operations.

Based on Article 8 of Circular 16/2021/TT-NHNN stipulates the limit on corporate bond ownership as follows:

1. The total balance of purchase of corporate bonds shall be included in the total outstanding balance of credit extension for one customer, one customer and related persons according to the provisions of Article 128 of the Law on Credit Institutions. (amended and supplemented) and regulations of the State Bank of Vietnam on safety limits and ratios in operations of credit institutions.

2. Credit institutions shall specify the limits on buying corporate bonds: Bonds issued by an issuing enterprise; bonds issued by an issuer and a related person; secured corporate bonds; unsecured corporate bonds; available-for-sale investment corporate bonds; investment corporate bonds held to maturity; business corporate bonds."

Thus, there is no specific regulation on the limit to buy corporate bonds. Credit institutions shall self-determine the limit for purchasing corporate bonds, ensure compliance with regulations on credit extension to customers, and ensure the prudential ratio in the Bank's operations.

VIII. Regulations on the mechanism of inspection and supervision of investment activities

In 2020, corporate bond trading is said to be one of the activities that bring positive income for many banks. From the issuer's perspective, the bond issuance also helps banks to increase tier 2 capital. Parallel to the funding organization, through capital financing forms in corporate bond issuances, The bank is also included in the significant credit balance. To help ensure control over the purchase and sale of corporate bonds of credit institutions with healthy and sustainable development; At the same time, helping to manage the bank's corporate bond buying and selling activities, consistent with credit extension activities and debt buying and selling activities, the State Bank stipulates restrictions on "Credit institutions are not allowed to buy corporate bonds issued for the purpose of contributing capital, buying shares in other enterprises".

In the Report "Business Law Flows in 2020" of the Vietnam Chamber of Commerce and Industry (VCCI), experts from the research team and conduct the analysis report: Thus, this regulation will not allow allows banks to buy bonds issued by parent companies in economic groups to raise capital and then use that money to contribute capital to subsidiaries. In the note, the drafting agency said that credit institutions buying corporate bonds issued for the purpose of contributing capital or buying shares in other enterprises would make it difficult for credit institutions to control the purpose of capital use, cash flow, project implementation status", the expert group assessed.

According to the report, "this concern is legitimate but can be completely resolved through measures in the contract or bond terms. Accordingly, businesses issue bonds to contribute capital and buy shares. at another enterprise must commit in the bond terms about the right of the bondholder to control the purpose of capital use, cash flow, and project implementation

at the subsidiary. ensure the supervisory right of the bank but do not affect the normal operation of multi-industry economic groups".

IX. Conclusions and recommendations

Business investment activities in general and investment in bond trading in particular play an important role in creating and mobilizing business capital for commercial banks. A bank as a business enterprise has the right to freely invest and do business, but it is necessary to control risks to ensure the safety of the banking system. In order to do that, the bank's bond business and investment activities need to have a number of issues that need attention in policy making and law enforcement, which are:

Firstly, improve the internal legal system, operating mechanism and evaluation criteria for bond investment and business activities of Vietnamese commercial banks quickly, strengthen the supplement and complete the remaining legal basis. lacking in each commercial bank, focusing on promulgating documents regulating the process of investing and trading foreign currency bonds; The process of investing and trading corporate bonds in the whole system, the risk management processes for bond investment and trading activities,..

Secondly, each bank needs to maintain the proportion of investment in the bond sector (minimum about 15%-20%) in total assets on the basis of firmly expanding bond investment and business activities. safe, sustainable and suitable for balancing capital sources to directly lend to the economy.

Third, raise awareness of the Bank's Board of Directors about the role and position of investment and bond trading activities for each bank. First of all, the Board of Directors needs to be fully and properly aware of the important position and role of investment and bond trading activities, in the overall operation and development strategy of the Bank.

Fourth, develop a specific roadmap, speed up the process of changing the bank's ownership structure, and raise the foreign ownership level to the maximum according to regulations. In particular, it is necessary to quickly reduce the state ownership rate, and at the same time increase the foreign ownership ratio for commercial banks with a very high state ownership rate (over 90%) such as BIDV and Agribank. Bank managers need to eliminate the concept of "losing ownership" if the foreign ownership ratio is increased, strengthen propaganda, and publicly and transparently disclose relevant information including bad debt and financial situation. , the restructuring process.

Fifth, control and reduce the bad debt ratio of banks' credit. Bad debt settlement is a key task of the program to restructure credit institutions, especially in the context of the economy facing many difficulties. Therefore, banks need to actively implement solutions to curb the increase of bad debts, improve credit quality and handle bad debts, and at the same time support to remove difficulties for enterprises' production and business. Measures to deal with bad debts to be implemented need to focus on key issues such as debt restructuring, debt collection, handling of special assets, debt sale, use of risk provisions, cost savings, and salary increases. , bonus, remuneration, dividend, profit to focus on setting up DPRR.

Fifth, improve the efficiency of governance: Develop and effectively implement the mechanism of operating and managing available capital for a number of commercial banks, especially the centralized capital management mechanism. The internal capital regulation is more flexible and effective than the current management method. Banks need to focus on developing

proprietary trading activities, on the basis of specifying specific limits, along with a strict control mechanism to limit arising risks.

In addition, as long as the regulatory authorities in Vietnam allow and promulgate a full legal system on short selling, banks can conduct proprietary trading on the basis of the sale of bonds that the bank has issued. not owned. Therefore, the bank must borrow the corresponding bond in the market with the expectation that it will buy it back at a lower price in the future.

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