



REPORT

(THE DEVELOPMENT OF COMMODITY FUTURES EXCHANGE IN VIET NAM)

ACTIVITY CODE: ICB-15

“Revision of the Commercial Law of Viet Nam”

Version: Draft version

Ha Noi, July 2014

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This document has been prepared with financial assistance from the Commission of the European Union. The views expressed herein are those of the author and therefore in no way reflect the official opinion of the Commission nor the Ministry of Industry and Trade

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THE DEVELOPMENT OF COMMODITY FUTURES EXCHANGE IN VIET NAM

1. History and situation

Exchanges model is commodity trading methods are very popular in modern countries in the world, however, in Viet Nam, this is a very new activity. Activity Commodity Exchange was initially implemented through wholesale markets system helps shorten production time, reduce costs and ease of consumption goods. Since 2002, Viet Nam began appearing commodity trading activities with the advent first of cashew trading Exchange. Before the Trade Act of 2005 was enacted, there is no agency to stand out and manage licensing activities; a number of operating units traded commodity futures in Viet Nam has been established, namely:

1.1 Cashew trading Exchange

March 2002, Exchange Cashew Association which opened at the Viet Nam Securities Trading Center in Ho Chi Minh City with the aim of bringing effective balance of the purchase price for (business) and sellers (farmers) purchase through participating Exchanges. However, cashew Exchanges only work in very short time and has stopped working.

1.2 Aquatic Center Gio deals

Aquatic Trading Centre Gio (English abbreviation is Cangio ATC) was founded in May 2002 by a business processing seafood with a capital investment of 7.5 billion and equipment quite sufficient and necessary conditions for a seafood trading Exchange as banks, department checks the quality of products, warehouses, ports and other ancillary works.

Center includes many items exchanges shrimp, fish market An Nghia, docks, freshwater supply systems, cold storage system and stores selling supplies and equipment for shrimp aquaculture, etc.

Initially, trading Fisheries Center attracted many traders because the Exchange price, yield, size shrimp are publicly agreement. In particular, the volume traded in this shrimp accounted for 80% of aquaculture production in Can Gio. However, after a few months of silence Cangio ATC traders, farmers prefer to sell to traders rather than sold directly to businesses, and vice versa, also want to buy wholesale business through retail traders rather than buy through farmers because they are not fully human capital and the means to carry out transactions. Therefore shrimp and participants reduced transaction and only after a short time, the Center has stopped working.

1.3. Sacombank Steel Trading Exchange

In late 2009, the bank Sacombank is the first bank in Viet Nam trading of steel products. Regarding procedures and transaction processes are similar in both the Stock Exchange trading methods, automated order matching mechanism. There are two modes of transaction: order-matching and agreement. At Sacombank steel trading Exchange, some items will be substandard deals, remaining under the standard industrial steel, construction steel and transactions according to the plant's label.

1.4. SAM-line trading Exchange STE

March 2010, JSC Trading commodity Sacombank (SAM-STE) Exchange established road with two items as raw sugar and refined sugar. SAM-STE has invested in an infrastructure system including transaction software, electronic board, the depository system, and particularly Sacombank Financial Group behind support for payment transactions. However, the last 8 months of operation per day only on transactions of less than 10 tons. In fact, to be able to conduct transactions, Exchange urgently needs 50 tons of sugar. After that time, domestic sugar prices and higher world, factories and businesses begin temporary storage warehouse waiting lines at prices up, thus SAM-STE also almost no downtimes for sellers to communicate Services.

The failure of commodity exchanges are not agency is state licensed big lesson in planning and identifying patterns, mechanisms and activities of the Exchange is not correct. Although born from the first time but the lack of management of the competent authority, lack of policy and strategy development efficiency, it is very difficult to survive Exchanges and Sustainable Development firm. However, since the defeat of the trading Exchange, commodity to commodity Exchanges were formed. Therefore, the agency should be state licensed and supervised all activities of the Commodity Exchange is a necessary requirement to affirm its position, role, credibility, and promoting the development of the Commodity Exchange in Viet Nam.

2. Operation situation of a number of units of goods transactions are future management of the state agency licensing

2.1. Viet Nam Commodity Exchange (VNX)

September 2010, Department of Viet Nam Commodity Exchange (VNX) Exchanges of goods is first in Viet Nam by the Ministry of Industry and Trade of the establishment license, operating under the provisions of the Commercial Law and legal documents relevant regulations. Officially start operations from April 1, 2011, up to now, VNX has achieved some results as follows:

In 2011, the trading volume of contracts in VNX (Figure 1) is not high due to go into operation new. In the first quarter and second quarter of 2011, the total volume of goods coffee is respectively 92 lots and 428 lots; trading volume of rubber products is respectively 136 lots and 266 lots.

In the third quarter of 2011, official VNX listed futures contracts for 4 items are: Coffee (Robusta), Coffee (Arabica), RSS3 Rubber and HRC. The support of the transaction fee and the customer VNX has gradually become familiar with trading activity through the Viet Nam Commodity Exchange, has attracted a large number of customers to invest. So in the third quarter of 2011, the trading volume of the two types of contracts in coffee and rubber has seen a marked improvement. Specifically, the total volume of goods traded Robusta coffee (VRC) reached 30,613 lots, Arabica coffee (VIAC) reached 18,742 lots, and rubber (RSS3) reached 28,008 lots. Total value achieved in the third quarter of 2011 to the rise in coffee and rubber 3,661 billion is 2,492 billion (Chart 2).

In 2012, in the VNX trading activity began showing signs of quiet, especially in the second quarter of 2012 when Viet Nam's economy is in a difficult period, most investors have not seen a clear trend operating policies of macroeconomic state, that sentiment of investors that

hold less cash to invest. Besides activities tight credit, high interest rates is one of the difficulties affecting the investment activities of the current market. According to reports the results of the first 6 months of operation of the VNX 2012, total contracts traded at nearly 849 billion VND.

Table 1: VNX trading volume

| Year | Coffee | | | | Rubber RSS3 | | Steel Not traded |
|--------------|--------------|---------------|--------------|---------------|--------------|----------------|---------------------|
| | Arabica | | Robusta | | Lot | Bil. VND | |
| | Lot | Bil. VND | Lot | Bil. VND | | | |
| 2011 | 21716 | 2520 | 34553 | 1627 | 37268 | 3182.14 | |
| 2012 | 4265 | 257.9 | 4102 | 129.2 | 8938 | 461.8 | |
| Total | 25981 | 2777.9 | 38655 | 1756,2 | 46206 | 3643.94 | |

Chart 1: VNX volume in 2011 và 2012 by quarter (lot)

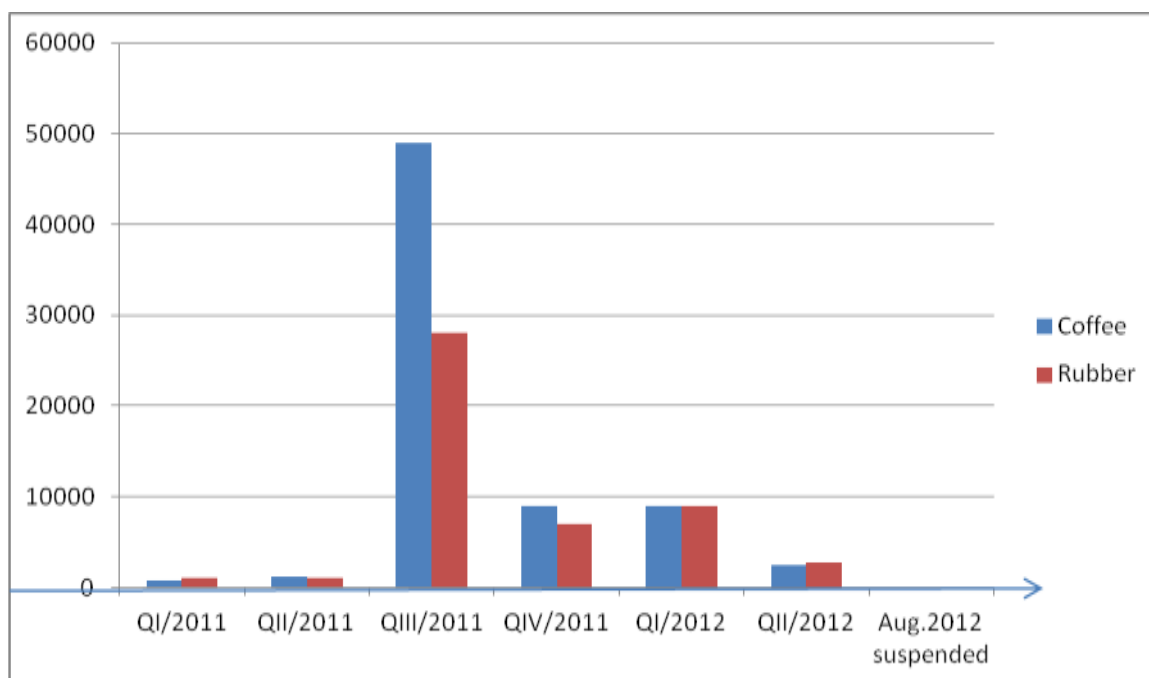
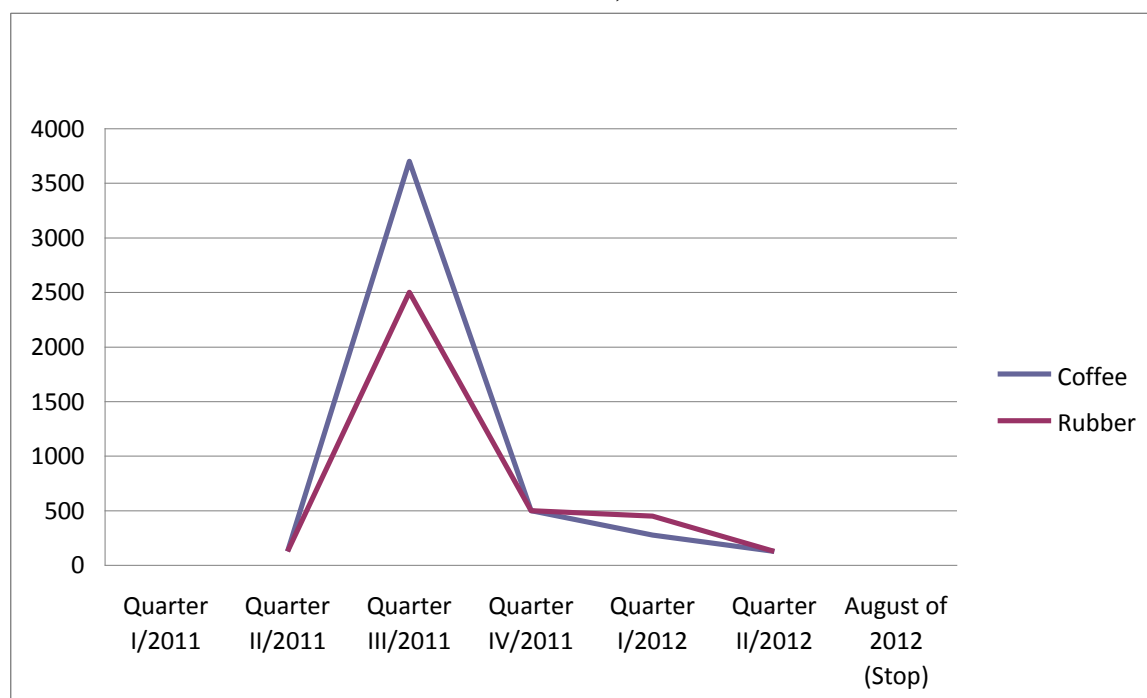


Chart 2: VNX volume in 2011 và 2012 by quarter (bil. VND)



Structure Member commodity trading activities VNX. VNX held commodity trading through its members include a trading member, a broker. As of June 2012, VNX has admitted 20 members, including 18 broking members and 2 trading member.

Regarding the organizational structure of commodity Exchanges, VNX has built the functional departments to maintain and ensure the operation of market transactions take place safely and smoothly. The VNX departments include: Legal Department, the Stock Exchange, the information systems, the development of the market. The close links between the departments for business help VNX is maintained.

To support the work of market development, product development, VNX has exposed businesses coffee, rubber, steel to listen to the opinions of those in industry and construction products and services accordingly. At the same time, in collaboration with Buon Ma Thuot Coffee Exchange Centre, the Association organized ... to develop the market makers and potential experience in commodity trading. VNX has organized workshops to promote commodity trading channels to the public. VNX also participate in online seminars organized by Thanh Nien newspaper that seeks to bring this to the public channel. At headquarters and branch VNX, sharing sessions are organized on the current investment channel for investors to introduce them to channel investment goods, creating knowledge-sharing forum for community goods.

However, in August 2012, Viet Nam Commodity Exchange crash risk information technology systems. Currently, Viet Nam Commodity Exchange is suspended from 6 to 9 months to restructure the organization, calling for new shareholders and acquisition software to troubleshoot and expected activities back in September 2013.

2.2. Buon Ma Thuot Coffee Exchange Centre (BCEC)

BCEC was founded in 2006 with the goal of creating a distribution network of modern commodities besides traditional commodity markets in order to create the position of coffee in Viet Nam in general and Dak Lak separately. December 2008, the Center opened trade coffee products for immediate delivery to meet the needs of coffee deposit safe, publicly traded transparency for market participants. After deployment, see the product immediately focused on the seasonal time of harvest, so the Center continued research and development of additional products and services to better suit the market. With the approval of the Deputy Prime Minister Nguyen Sinh Hung in Document No. 9254/VPCP-KTN December 22, 2010 of the Government Office, Exchange Centre coffee in Buon Ma Thuot (hereinafter referred to as the BCEC) has been implemented in a pilot year traded coffee futures since March 11, 2011. After 1 year of operation, the center has achieved some positive results, contributed to the farmers, business coffee business, financial investors gradually acquainted with the purchase and sale of coffee through the transaction. However, during the operation of the BCEC has generated some difficulties and problems stem from internal causes of BCEC (operating under the model unit with revenues), so need to consider instead Change, the Center's operations modeled Exchanges of goods specified in Decree No. 158/2006/ND-CP of December 28, 2006 of the Government detailing the Commercial Law regarding trading activity goods through the Goods Exchange. Dak Lak province has 78/UBND-TCTM Report No. 01 dated 05 May 2012 sent to the Prime Minister on the paradigm shift of activities from business centers with 100% state capital into joint stock companies, activities stipulated in the Enterprise Law and Decree 158.

At the request of the People's Committee of Dak Lak province for pilot continues coffee futures trading in coffee trading center of Buon Ma Thuot (Report No. 13/TTr-UBND, dated 03 May 02 2012) , and the opinions of the ministries: the Ministry of Industry and Trade, Planning and Investment, Agriculture and Rural Development, Viet Nam Development Bank, May 9, 2012, the Office of Government Document No. 3178/VPCP-KTN informed opinion of the Deputy Prime Minister Hoang Trung Hai BCEC were allowed to continue operating the pilot coffee futures trading to the end of December 31, 2012.

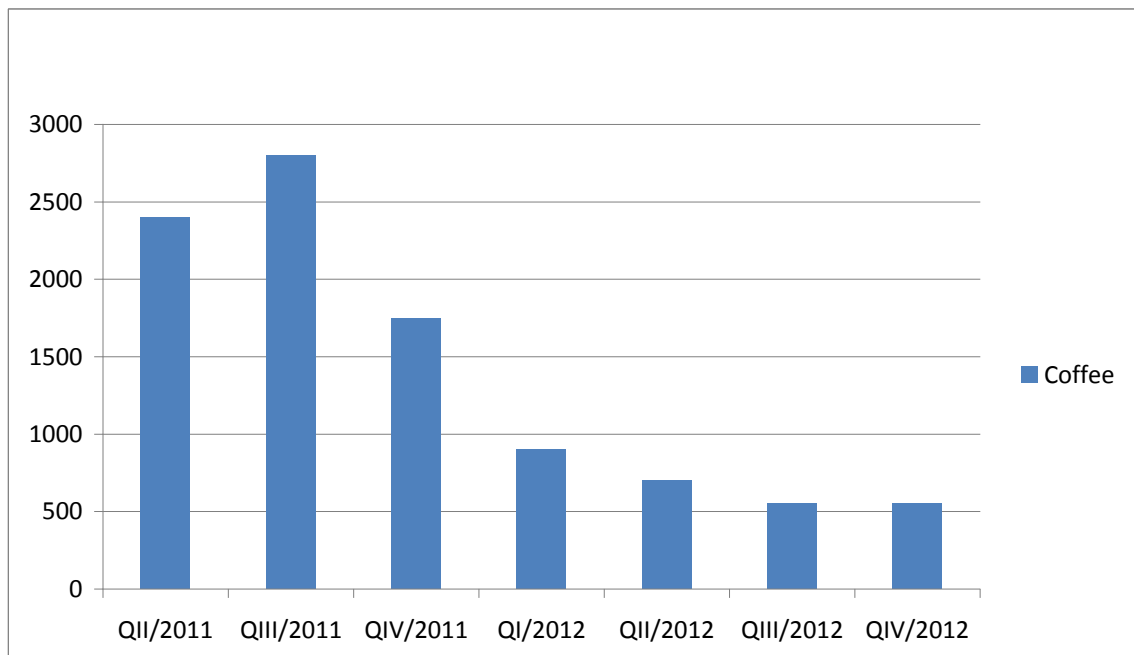
The coffee trading center of Buon Ma Thuot helped launch the development of the coffee trade more modernized integrated into the developing economy of Viet Nam. In recent years, BCEC achieve the following results:

Regarding the transaction: Activity of BCEC from its founding until now has gradually become more stable with increasing volume of transactions forming premise market trading commodity futures in Viet Nam, in which surface goods mainly coffee.

Table 2: BCEC trading volume (Mar. 2011 – Dec. 2012)

| Year | Coffee | | | |
|--------------|-------------|---------------|------------|----------|
| | Robusta | | Arabica | |
| | Lot | Bil. VND | Lot | Bil. VND |
| 2011 | 7739 | 686,97 | Not traded | |
| 2012 | 2127 | 173,14 | | |
| Total | 9866 | 860,11 | | |

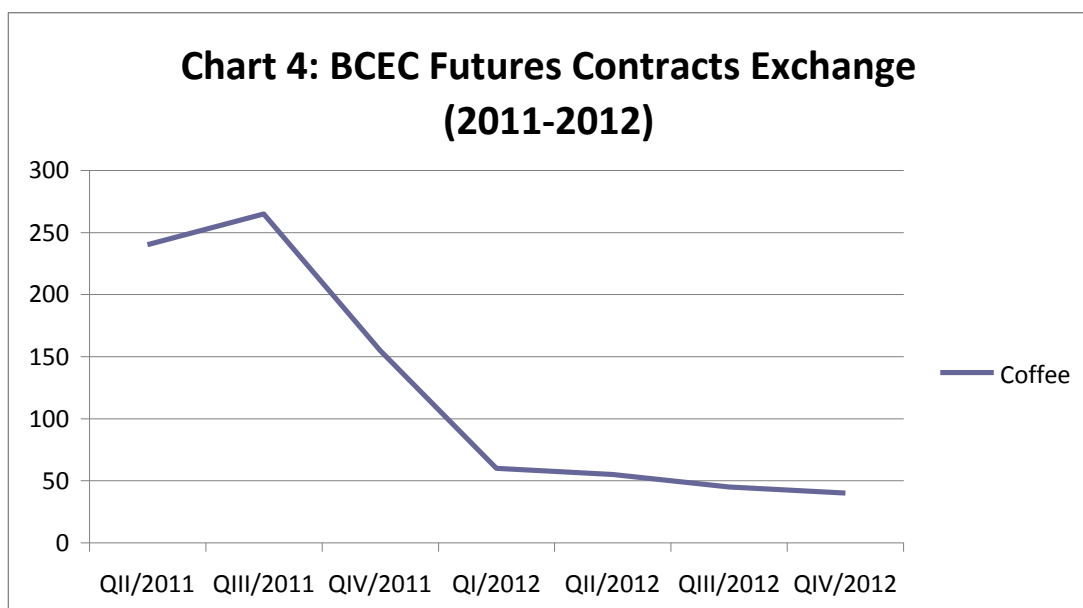
Chart 3: BCEC volume in 2011 and 2012 (by lot)



In 2011, the situation coffee futures trading by members of BCEC brokerage creation has achieved positive results with total trading transactions plot is 7,033 (lot), equivalent to a total volume of 14 066 tonnes services. The most prominent of which is the achievement of the third quarter of 2011 voi trading volume of coffee exports in 2836 amounted to (LOT).

In 2012, the situation traded coffee futures have shifts of BCEC, the total number of lots traded transactions reached 2,722 (lot), equivalent to 5,444 tons.

Chart 4: BCEC Futures Contracts Exchange (2011-2012)



In terms of the total value of BCEC achieved (figure 4): By the end of 2011, the total transaction value of BCEC coffee reached 661 billion, of which the total value of the third quarter to reach items in coffee the highest level of up to 268 billion.

In 2012, the value of goods traded coffee dropped significantly and stood at 218 billion VND. According to the chart above, the value of the items is uneven coffee increased on a quarterly basis, which indicates active trading coffee at Buon Ma Thuot Coffee Exchange Centre is more volatile in recent years.

Structural members engaged in buying and selling goods via Trading Center Buon Ma Thuot Coffee. As of 2012, the Center has developed 90 members, including 63 registered members, 23 trading members, 4 Members broker. To develop Members, BCEC has made the development propaganda Members in Ho Chi Minh City, meet the import-export company, conducted a survey on the production, sale and demand form sales that farmers often object to apply, and contact the registered members of the Centre.

Regarding market development, product development, BCEC made propaganda, promoting the image and activities of the Center to the mass media; Improving communication materials to serve the development of members; Organization met to exchange information with members, customers; Organize product introduction phase in the business; Set up electronic portals, released brochures, newsletters coffee market; Introduce and manage marketing activities through the center customer conference summarizing coffee year ...

Currently, BCEC timed extension of pilot activities coffee futures trading. BCEC is trying to carry out the conversion of the active model in the model center Exchanges of goods specified in Decree No. 158/2006/ND-CP of December 28, 2006 of the Government stipulating commercial law on the purchase and sale of goods through the Goods Exchange under the leadership of the People's Committee of Dak Lak and the ministries and departments concerned.

3. General assessment of achievements and shortcomings, limitations on trading activity in commodity futures Viet Nam

3.1. Achievements

- Since the introduction in 2005 of the Commercial Law, the sale of goods through the Goods Exchange has become a form of modern trade, providing services to link processors, large distributors, farmers and commercial banking, trade support activities become favorable.
- The launch of the purchase and sale of goods through the Goods Exchange Help has helped farmers get insurance tools to mitigate price risk is the production of commodity trading as a dropped the price of coffee, rubber ...; help for business enterprises to be proactive and insurance cost source items as inputs for production and business like steel, petroleum, cotton yarn ...
- For individual investors, the introduction of the operating units purchase goods through the Goods Exchange has provided a new opportunity to invest in the traditional investment channels difficulties .
- Through the Commodity Exchange in Viet Nam, commercial enterprises, import and export can know the standard price of commodities traded coffee, rubber, and steel in each category for each contract month business initiative, balance supply and demand.

- The Commodity Exchange in Viet Nam has developed standards of the Ministry in coffee, rubber, steel in accordance with international practices, which help businesses, farmers oriented production meet the quality requirements of the world.

3.2. Issues at stake

In addition to the results as noted above, to date the purchase and sale of goods through the Goods Exchange in Viet Nam also revealed the difficulties, limitations, namely:

- Although the main purpose of the Commodity Exchange tools for hedging of commodity prices, however existing investors participated in transactions through the trading of goods for the purpose of hedging risk and commodity trading is very limited so, mainly for the purpose of financial speculation.

- Activities of commodity traded through the Commodity Exchanges in the country was bleak, yet attracted many leading investors to participate in the market liquidity is low, many contracts are not reopen transaction may be because there is no corresponding command.

- The IT infrastructure also potential risks, namely 8/2012 on VNX system malfunction transactions affecting the interests of customers and investors.

- The product contracts traded on the Exchange in the commodity-rich countries have not diversified, just stop trading futures contracts 03 items: coffee, rubber, and steel.

- The number of investors, qualified staff, deep understanding of this area is very limited. In addition, the training institutions in Viet Nam have not trained in this.

According to the Ministry of Industry and Trade, the existing, limited mainly stems from the following reasons:

3.2.1. Objective reasons

- The world economy in general and Viet Nam in particular, the last time was difficult, challenge. In water, tightening credit conditions and interest rates at high levels significantly affected the investment activities of the market for goods through the Goods Exchange.

- Due to routine business practices of farmers and enterprises of Viet Nam produced mainly perform transactions such as buying and selling traditional spot, directly with traders focused more deals through the Goods Exchange.

- In addition, the Commodity Exchanges in the country to compete with commercial banks in Viet Nam commodity brokerage activities through Exchanges foreign goods. Through commercial banks, many businesses have made commodities derivative transactions with foreign partners on the basis of business processes and measures to prevent risks of commercial banks. Meanwhile, for the commodity Exchanges are licensed under Decree 158, engaged in the purchase and sale of goods through the trading of foreign goods to the route, conditions and scope of the Ministry of Public Trade regulations. However, there is currently no guidelines on trading goods for foreign partners, so investors trading with foreign partners primarily done through commercial banks, leading to trading activity through the Goods Exchange in Viet Nam less exciting, difficult to attract investors in the country.

3.2.2. Subjective reasons

a. From the Commodity Exchange in Viet Nam

- Due to the purchase and sale of goods through the Goods Exchange in Viet Nam is new, is the first unit in operation, as well as BCEC VNX must learn how to organize, develop procedures and regulations, infrastructure investment ... so the development of the market is limited in the first phase in operation.

- Although in recent years, VNX and BCEC has contracted warehousing as well as cooperation with forwarding company, commodity inspection, however, this process has encountered certain difficulties. The meet demand physical delivery of goods is limited.

b. From the manufacturing companies and financial investors

- Businesses, farmers have difficulty producing the goods meet the standards of the Exchanges of goods in the country in terms of volume and quality.

- The enterprises have limited capital, often contracted loans from banks as collateral for farm output and raw materials for the industry, so do not actively participate in the source transaction through the Goods Exchange.

- The financial investor is not really interested in trading activity derivative products, mainly just stop at the level of observation, understanding the market, investors often have the financial resources to actively seek to channel investment and preserve stability, therefore liquidity in the commodity futures markets are not currently high and unstable.

c. The access to information on commodity markets remains limited basis

Database information commodity markets of Viet Nam is still lacking and inconsistent. Currently on the market there are few organizations collect information related to the production and sales of agricultural products, hence the level of access to information and markets investors still face many limitations .

d. The reason stems from the legal framework

Trading commodity futures trading is a type of large global. Although emerging market in Viet Nam but has existed for a long day in the world and appeared only after the stock market. Therefore, the continuity, linking the commodity derivative markets are not spending encapsulated in a national economy that it has spread globally. In particular, the market traded commodity futures have close linkages between financial markets with market goods production facility. In fact in many years, the prices of agricultural products of Viet Nam affected and dominated by huge prices on the futures market in the world, eg LIFFE Robusta coffee on the Exchange of Lon don , England; TOCCOM RSS3 on the Exchange of Tokyo, Japan ... So, despite the emergence of commodity Exchanges in Viet Nam, prices of agricultural commodities remain more or less affected by the Exchanges Product chemical world. According to the principles of risk management in investment activity, commodity Exchanges are organized market wants is a safe way to clearing mechanism position, connected to the world market in order to balance the are buying - sold in the country. This has secured work in risk management transactions, both domestic market to more closely link with the world market. However, the current activities of the Commodity Exchange in

Viet Nam just stop in at the activities organized commodity futures trading in the country, without the written permission investors Transaction through the Commodity Exchanges of goods in the world.

- Currently there is no provision for overseas investors to participate in transactions through the Goods Exchange in Viet Nam. Therefore, the Commodity Exchange in Viet Nam have difficulties in attracting and guiding organizations and individuals investing abroad intend to find out and want to participate in transactions through the Goods Exchange . The fact that in the period of economic difficulties in the country, capital is tight capital from foreign investors as supportive measures to increase liquidity in the transaction. However, foreign investors can be assured of the transaction as well as limit the risk to the portfolio investment inflows this, a need for regulations on foreign investors participate in transactions through the Commodity Exchange in Viet Nam.

- Although the banking system is clearing key step in organizing activities at the transaction but there is no text mode of payment instructions in the purchase and sale of goods through the Goods Exchange chemistry as well as specifying the conditions for the establishment and operation of the Payment Center ... So, the level of investor participation is very limited.

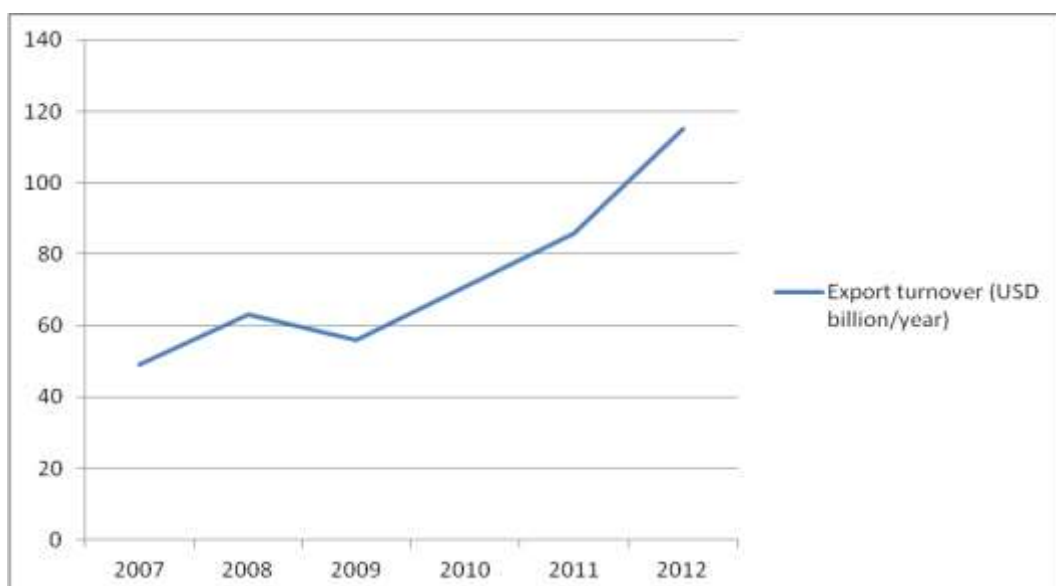
- No written guidance on the accounting regime, accounting for participants purchasing goods through the Goods Exchange.

4. Vietnamese businesses' commodity trading activities in foreign exchanges

4.1 Situation

With many advantages in geographical location and climate, soil, Viet Nam is a country with many export commodities such as rice, coffee, rubber, pepper, cashew nuts ... Total exports of goods goods continued to increase (Table 6). Total exports of goods in 2012 is estimated at U.S. \$ 114.6 billion, up 18.3% compared to 2011. Exports 100% of the business sector in the country which accounted for 36.9%, to 42, \$ 3 billion with low growth, up 1.3% compared to 2011.'s export sector foreign investment, accounting for 63.1% to about 72.3 billion U.S. dollars, up 31.2%.

Chart 5: Export turnover (2007-2012)

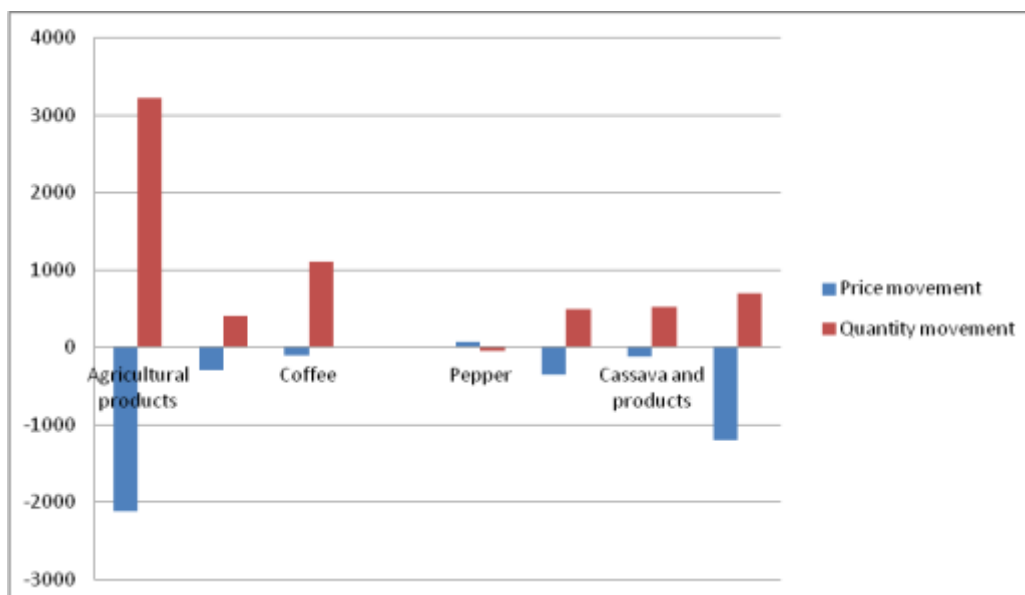


If the customer review group, agro-forestry and fisheries in 2012 were estimated at \$ 21 billion, accounting for 18.3% of total exports, up 6.4% compared to the same period in 2011. Export commodities this 2012 is generally not cost beneficial. However, due to increased exports (except for pepper) has partly offset losses due to falling prices. Of rice reached a record 13.1% increase in volume (8.04 million tons) but export prices fell by 10.8% to exports only increased by 0.9%; rubber goods exports rose 23.8% but falling prices caused exports fell 12.6%. Seafood Exports continue to experience difficulties due to trade barriers from importing countries should only increase by 0.7%. Generally, this group had lower export prices as exports fell 2,155 billion, however due to increased exports contributed more 3,192 billion. Offset between the price increase and decrease, the group has contributed to increased exports of more than \$ 1 billion.

Meanwhile, fuel and mineral group reached 11.69 billion U.S. dollars, accounting for 10.2% of total exports, up 4.2% compared to 2011. During this group, except for crude oil shipments export increase, the remaining goods exports declined, even items ore and other minerals also dropped deep, only about 30% of the exports of the same period in 2011. Regarding the export price, only items Coal prices have dropped, and the remaining crude petroleum prices raised slightly, commodity prices ore and other minerals increased. In general, by increasing or decreasing the price and volume of the group has contributed 471 million dollars in increased exports.

Regarding export prices: price of exports in 2012 were down, alone agricultural products due to the price reduction has made exports fell 2.15 billion, due to falling prices for mineral group makes metal exports decreased \$ 20 million. According to the General Statistics Office, the index of export prices fell 0.54% in 2012 compared to 2011 (Figure 7 - Increase or decrease due to price and quantity of a commodity number 2012).

Chart 6 - Price and quantity movement of products in 2012



In recent years, the economic situation more complicated, and the situation of global climate change that world agricultural commodity serious decline, commodity prices also tend happenings complex. These factors greatly impact the production and export of domestic firms. The agricultural products of Viet Nam, not to mention a major number of items such as rice, coffee, pepper with large production began regulating participation in the world

market price. However, most of the selling price of products in Viet Nam is lower than other countries in the region. This is due to the production process, consumption of traditional goods, merchandise quality is uneven. At the same time, Viet Nam goods codes are often not widely recognized in the world, this caused major disadvantage for domestic businesses, especially farmers.

Moreover, due to the lack of trading tools to the derivative commodity producers and business are at a disadvantage. Most of the exporters of Viet Nam do not have the tools and insurance reserve price fluctuations. For the production, financing primarily based on the credit of the bank or the program of government support. However, this level of support was very limited. Currently, about 99% of business transactions are still done in the traditional way, which is a purchase first, then sorting and delivery.

In modern trade, a number of major transactions through the Exchange or base commodity trading is a form of commodity futures trading, also known as derivative transactions, in which customers to make a purchase cargo volumes at prices determined and the delivery took place after that. Factors such as the volume of transactions, time, standard goods, price, and payment method are the main factors or basis trading Exchange rules. With the way as traditional shopping today, is not only beneficial for the farmers, for the acquisition and processing businesses that export goods to the consumers, the price increased by over too many intermediaries in the supply chain.

Worldwide, channel investment through commodity exchanges have existed for a long time and have grown rapidly in both size and weight for almost two centuries. Trading commodity futures exchanges focus often occur at locations where the sale and purchase of material goods most active (Table 3). In this context, many businesses export to participate in futures trading in foreign exchanges as trading on the Exchange of LIFFE Robusta coffee in London, NYBOT Arabica coffee on the Exchange of the U.S., Japan's TOCOM The ... through the brokerage of commercial banks as Viet Nam Technological and Commercial Bank (Techcombank), the Bank for Investment and Development of Viet Nam (BIDV) ... goods that domestic enterprises to participate in the transaction Exchanges are mainly foreign goods of the strengths of Viet Nam exporters as coffee, rubber ...

Table 3 - A number of exchanges and trading products in the world

| Exchanges | Products |
|--|--|
| CBOE Futures Exchange (Chicago, Mỹ) | Corn, soybeans, soybean products, wheat, pork, cattle, butter, milk |
| NYSE Euronext (New York, Mỹ) | Cereals, meat |
| Tokyo Commodity Exchange (Tokyo, Nhật Bản) | Rubber |
| London Metal Exchange (London, Anh) | Metal: copper, aluminum, nickel, steel, lead. |
| Intercontinental Exchange (Atlanta, Georgia, Mỹ) | Cocoa, Coffee, Cotton, Sugar |
| New York Mercantile Exchange (New York, Mỹ) | Fuel and metals: crude oil, natural gas, natural gas, coal, gold, silver, copper, aluminum |
| Dalian Commodity Exchange (Đại Liên, Trung Quốc) | Soybeans, soybean oil, corn, palm oil |

| | |
|---|--|
| Zhengzhou Commodity Exchange (Trịnh Châu, Trung Quốc) | Agricultural products and chemicals: rice, sugar, cotton and petroleum-based chemicals |
|---|--|

Trading commodity futures is the inevitable demand for market goods of Viet Nam, the derivative financial instruments bring practical benefits, including commodity derivatives market as a tool to meet focus for trading, hedging and commodity prices ensure product quality standard, hedging and partners to meet the needs of the trading speculators and traders to arbitrage trading price.

4.2 Vietnamese businesses' commodity trading in foreign exchanges

Foreseeing the need for commodity futures trading, from the end of 2004, the coffee exporters have begun to enter into transactions on international markets, especially dealing Robusta coffee futures on Liffe market Brokers in London through the first secondary Viet Nam Technological and Commercial Bank (Techcombank). After Techcombank, in July 2006, the Bank for Investment and Development of Viet Nam (BIDV) State Bank approved pilot commodity derivative transactions. BIDV Techcombank and is rated as one of the reputed banks and thickness on the field activities. After two banks granted approval, a number of other banks are Bank approved state implementation of commodity derivative transactions as the Bank for Foreign Trade of Viet Nam (Vietcombank); Military Bank (MB); Saigon Thuong Tin Commercial Bank (Sacombank); PG Joint Stock Bank (PG Bank); Industrial and Commercial Bank of Viet Nam (Vietinbank).

With this type of transaction, now just need to deposit an amount equal to a percentage of a few percent of the value of traded goods can be bought / sold immediately without inventory, saving a lot of interest cost, storage, transportation.

The commercial banks granted approval service providers futures contracts traded on commodity markets to brokers or exchanges, international commodity. These banks have electronic trading system connected directly to the broker or international exchanges, after handling system automated trading. When engaged, the customer will be advised about the business plan, the market's volatility and risk prevention solutions most effectively and participate in training programs to raise awareness of the market and trading techniques.

Table 4 - Goods trading in the futures market through a number of Commercial Banks

| ST T | Commercial banks | Products |
|------|------------------|--|
| 1 | Techcombank | <ul style="list-style-type: none"> - Coffee (Robusta & Arabica); - Rubber (Tocom); - Cereals: Soybean, Soymeal, Soyoil, Corn, Wheat. - Ferrous Metals: Copper, Lead, Aluminium, Zinc, Nickel, Tin - Precious Metals: Silver. |

| | | |
|---|-----------|---|
| | | <ul style="list-style-type: none"> - Cotton - Energy: WTI, NYMEX oil; - Others: Sugar, rice, plastic |
| 2 | BIDV | <ul style="list-style-type: none"> - Agriculture: Coffee, rubber, corn, soybean meal - Ferrous Metals: Copper, Lead, Aluminium, Tin, Nickel Alloy. |
| 3 | MB | <ul style="list-style-type: none"> - Agricultural and Cereals; - Rude Oil and oil products, gas; - Metal, coal. |
| 4 | Sacombank | <ul style="list-style-type: none"> - Agriculturals: corn, wheat, soybean, sugar, coffee, rubber, cotton. - Metal: Copper, Aluminum, đồng, nhôm, Lead, zinc, steel; - Energy: Crude oil, gas. |
| 5 | PGBank | <ul style="list-style-type: none"> - Coffee; Rubber; corn; Soybean, Soybean meal; Wheat; Cotton; Non-ferrous metals; Petrol. |

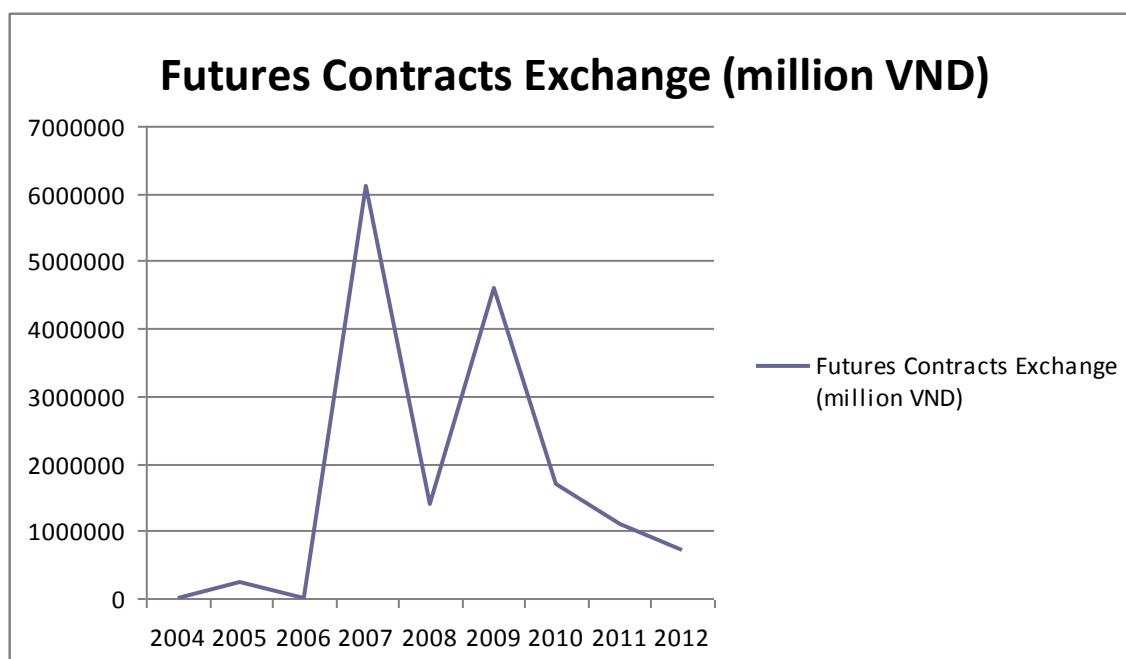
It can be seen that the trading activity of futures contracts (mainly for agricultural products) on the market of the business world has evolved in a long time. However, in Viet Nam at present only a few hundred now uses derivative commodity instruments through commercial banks, including commodity futures contracts. Accordingly, the structure of derivative products in total sales and profits of the commercial banks respectively by 2005 accounted for 19.5%, in 2010 accounting for 23.5% of total revenue; 2005 accounted for 20.9%, in 2010 accounting for 22.7% of total profits.

Viet Nam Technological and Commercial Bank (Techcombank) is the first bank in Viet Nam to provide goods and services traded through the foreign exchanges, banks here are active trading activity and trading volume more among the largest commercial bank State Bank approval. Techcombank as a pioneer in the introduction and development of products commodity futures contract, the futures contract on the international Exchange for domestic enterprises, help enterprises export insurance when processing price. Techcombank expand cooperation with other organizations to develop futures products traded on commodity exchanges in the country in the highway market expansion and global integration. With the advanced technology used for periodic, Techcombank has developed and applied successfully clearing services to ensure customers can immediately purchase contracts or futures contracts on the commodity exchanges in the form centralized transaction, margin trading and make payments later. Techcombank parts deals constantly updated information and transaction capabilities instantly with the international market of agricultural products (rubber, coffee, soybeans, sugar, corn, cotton, wheat, cocoa), ferrous metals (copper, aluminum, lead, zinc) and fuels (oil, gas). At the same time, Techcombank electronic systems directly connected with the major exchanges like LIFFE world, TOCOM, NYMEX ..., help customers keep track of price movements in the world, having Techcombank Contact the broker at the Open outcry trading Exchange as NYBOT, SICOM, LME.

When you start participating in activities with a broker role is secondary, the first customer of Techcombank is the coffee export business, this business transaction engaged Robusta coffee futures on Liffe market (London). At first, the major business transactions in markets such as the London market, New York, Chicago, and Tokyo with the total value of the contract to purchase commodity futures contracts and commodity futures sale 33.243 million respectively VNĐ VNĐ and 5,874 million in 2004. Sang 2005, transactions of business has increased dramatically, with a total contract value buy commodity futures has increased almost 6.5 times higher to 2004 and the total value of the contract to sell the commodity futures 2x 2005 compared to 2004.

So far, after nearly 8 years of operation, the number of customers has increased Techcombank, Techcombank has several hundred registered trading business, real transaction amount to hundreds of businesses. At the same time, the business transaction is gradually reaching other markets, such as coffee market London and New York, Chicago Market, London Metal Market, Market Exchange tool options and future London , New York Trade Commission, Commodity Trading Market, Market Japan Rubber (TOCOM), Market of Bursa (Malaysia). In particular, in 2007, marking the highest level since Techcombank official service providers derivative commodity brokerage. The total value of the contract to purchase the commodity futures reached 6,051,861 million contract VNĐ and sell commodity futures reached 5,881,154 million VNĐ in 2007.

Chart 7 – Techcombank’s brokering volume 2004 – 2012



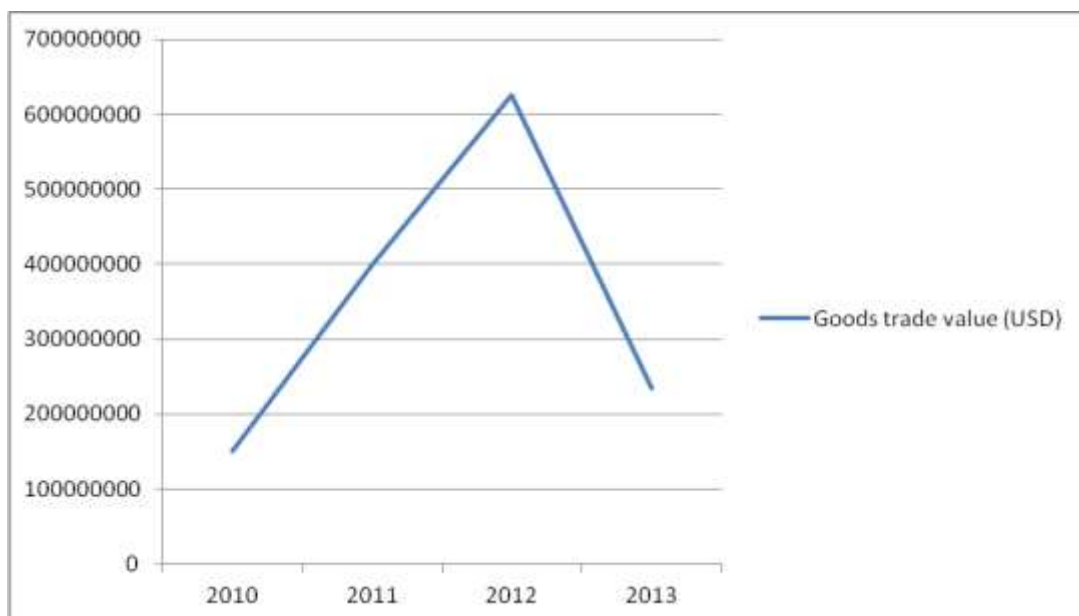
Looking at the chart, we can see that the growth in the value of goods traded in Techcombank peaked in 2007. Nevertheless, in 2008-2009, the global economic crisis stemming from the bubble in the U.S. housing market has spread and affected many countries around the world. This crisis is regarded as the most serious crisis ever. Like many other countries, Viet Nam's economy was badly affected by the global economic crisis. Many businesses are hardships and hard times because of the crisis, the market was declining exports, reduced consumer demand ... Therefore, active commodity futures trading offshore of Viet Nam now also quieter, therefore, the total value of the contract to buy and

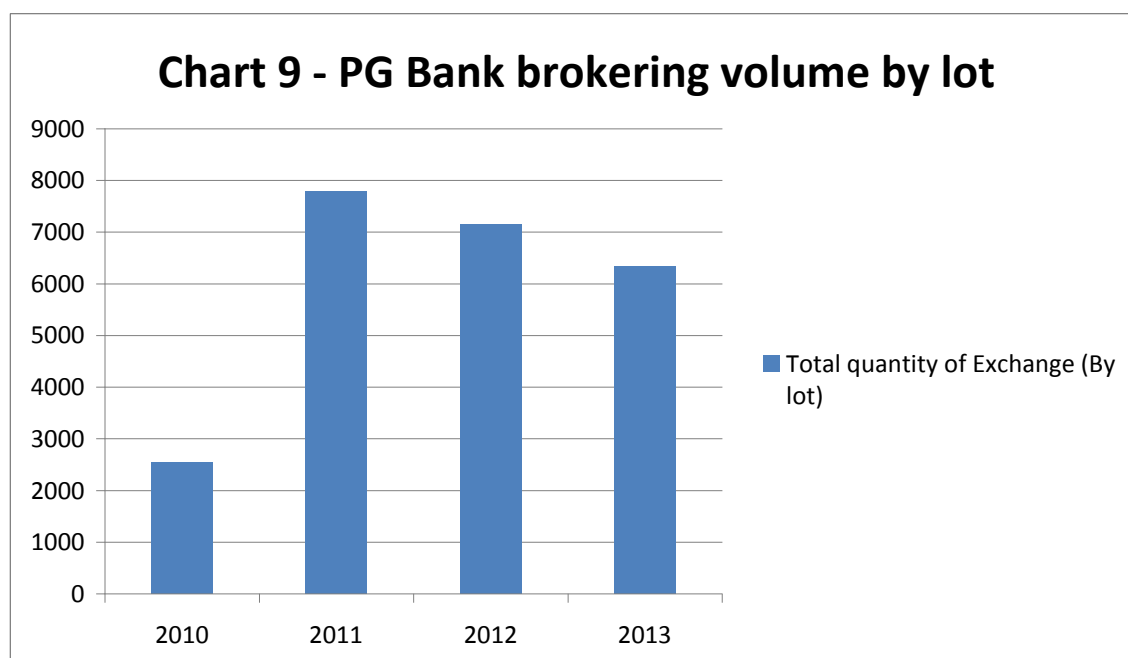
sell commodity futures in 2008 had dropped dramatically. 2010 and 2011, the economy of the world as well as Viet Nam has not recovered after the global economic crisis of 2008; therefore, the total value of goods traded is low. However, compared with the first day of service providers implementing derivatives trading goods to international exchanges, the transaction value of the Techcombank customers has increased significantly.

Besides Techcombank, BIDV is one of the main bank loans and provide banking services to customers coffee exporters in Viet Nam with loans of up to trillion. Due to fluctuations in coffee prices on the world market and domestic recent years, Viet Nam enterprises increasingly need to recognize and use products like derivatives trading commodity future transaction to insurance risks. Therefore, to meet the needs of customers, BIDV has conducted provide this service. For customers of products traded commodity futures including: business enterprises import and export of goods capable of dealing; the organization or individual broker, intermediary or proprietary trading orders based on identified market. Through 6 years trading activities (2006-2012), BIDV has earned a certain number of successes in providing customers with a tool to prevent risks of price fluctuations effectively.

Besides, in 2009 the global oil and gas Bank (PG Bank) also began as an intermediary broker to take customer orders on the trading Exchange in the world. After four years of implementation of this service, PG Bank has achieved a certain number of achievements; continue to demonstrate the superiority of Vietnamese commodities futures markets, although this form is still very new to the enterprises in Viet Nam. The organization of intermediate to PG Bank traded on commodity exchanges abroad are reputable businesses and is a member of the Commodity Exchange facility in the world. Some results of PG Bank has achieved in the past several years is shown in Table 9, Table 10 below, which mainly traded commodities such as cotton (NYBOT trading Exchange) , Nonferrous Metal (LME trading Exchange, COMEX), agricultural products (CBOT trading Exchange).

Chart 8 – PG Bank brokering volume





In addition, a number of other banks also offer services commodity derivative transactions, transactions of businesses mainly focusing on the key export commodities such as coffee, rubber and recently ... to develop material goods dependent on imported sources such as the non-ferrous metals, grain and cotton fibers. At the same time, the business is currently trading commodity futures contracts in Viet Nam, mainly private businesses.

4.3 Assessment on commodity futures trading of Viet Nam enterprises abroad

Investment firms and commercial banks are now facing many difficulties to develop and market participant's commodity derivative transactions. In addition to those caused by the financial crisis happening across the globe, there must be some other cause including:

The first is due to lacking the legal system, is incomplete. Although there is general legal framework for the sale of goods through the Goods Exchange abroad, the provisions of the Commercial Law 2005 and Decree No. 158/2006/ND-CP of December 28 2006 detailing the Commercial Law regarding the sale and purchase of goods via the Commodity Exchange. However, the text under the law governing this matter is very much lacking, and yet detailed, clear instructions for the actors. Meanwhile, the State Bank of Viet Nam has requested the implementation of futures trading on commodity markets must be made on the basis of real goods (Document No. guides at January 18 8905/NHNN-QLNH 10, 2006 trading futures contracts on the commodities market). Accordingly, market participants must have proof of export and import demand or production, purchasing, processing and exporting goods. This guide is somewhat limited a large number of market participants by market trading commodity futures not only a place to meet the needs of the buying and selling of goods, but also with the participation of the speculators, professional business.

At the same time, there is currently no mechanism and policies of state support for commodity derivatives market development. The current regulations only focused primarily on the establishment of conditions for transactions of goods, rights and responsibilities of the Department of Commodity Trading ... Meanwhile the policy of state support is not there.

The second is due to the understanding of the business, the market is still young, the lack of experienced investors. The fact that most of the businesses in Viet Nam, including many large enterprises still do not know or are "vague" or have the basic concept of commodity derivative instruments, however, the number of enterprises financial instruments used to hedge and diversify business operations modest. The complexity of derivative contracts and hidden risks in themselves make derivative commodity derivative contracts have not been given due attention. Even some businesses do not use this tool successfully created apprehension. This is one of the major challenges for the commercial banks in particular and commodities trading platform in Viet Nam in general to expand market customer transactions.

Thirdly, due to staff capacity of the commercial banks does in commodity derivatives. The staff is also an uneven surface capacity, a lack of opportunities surface rubbing. At the same time, commodity derivatives market in Viet Nam is still relatively new, so the exchange of staff learning with international exchanges also somewhat limited.

For businesses, access more difficult stems from the recognition and knowledge of commodity futures contracts. Currently, the majority still tend to recognize, assess trading commodity futures without separately mounted to the overall business activities of enterprises. When Viet Nam enterprises participating in the transaction through international exchanges need to follow the process and procedures for how the current law is not specified.

Besides, when engaged on international exchanges, Viet Nam now only small investors with financial capacity is limited. Ability to analyze and gather information on the world market should not restrict business investment style at futures contracts were losses.