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# Capital Market Development in Southeast Asia: Indonesia, Philippines and Vietnam

## Final Report

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# Contents


**Executive Summary** ..... **7**

**Introduction** ..... **9**

**A. Analytical Framework** ..... **9**

**B. Vietnam Market** ..... **11**

I. Market Landscape & Activity ..... 11

II. Investor landscape: ..... 22

III. Intermediaries & Market Infrastructure ..... 27

IV. Synthesis of DFI Interventions ..... 31

**C. Philippines Market** ..... **33**

I. Market Landscape & Activity ..... 33

II. Investor Landscape ..... 38

III. Intermediaries & Market Infrastructure ..... 41

IV. Synthesis of DFI Interventions ..... 43

**D. Indonesia Market** ..... **46**

I. Market Landscape & Activity ..... 46

II. Investor Base and Demand ..... 54

III. Intermediaries and Market Infrastructure ..... 57

IV. Synthesis of DFI Interventions ..... 60

**E. Gap Analysis** ..... **62**

**F. Cross-cutting themes and comparative analysis across the three markets** ..... **65**

**G. Actionable Recommendations** ..... **72**

**Reference** ..... **90**

**APPENDICES** ..... **93**

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## Abbreviations

| | |
|---|---|
| **ADB** | Asian Development Bank |
| **ADR** | American Depositary Receipt |
| **AIIB** | Asian Infrastructure Investment Bank |
| **ALM** | Asset Liability Management |
| **AUM** | Asset Under Management |
| **ASEAN** | Association of Southeast Asian Nations |
| **BRI** | Bank Rakyat Indonesia |
| **BSP** | Bangko Sentral ng Pilipinas |
| **CAR** | Capital Adequacy Ratio |
| **CBI** | Climate Bond Initiative |
| **C-Bond** | Corporate Bond |
| **CCP** | Central Counterparty Clearing |
| **CDP** | Central Depository |
| **CEO** | Chief Executive Officer |
| **CEV** | Credit Enhancement Vehicle |
| **CGIF** | Credit Guarantee & Investment Facility |
| **CRA** | Credit Rating Agency |
| **DAVT** | Daily Average Value Turnover |
| **DEG** | Deutsche Investitions- und Entwicklungsgesellschaft |
| **DFC** | America's Development Finance Institution |
| **DFI** | Development Financial Institution |
| **ECM** | Equity Capital Market |
| **EM** | Emerging Market |
| **ESG** | Environmental - Social – Governance |
| **ETF** | Exchange Traded Fund |
| **FDI** | Foreign Direct Investment |
| **FI** | Financial Institution |
| **FMO** | Dutch Entrepreneurial Development Bank |
| **FOL** | Foreign Ownership Limit |
| **FTSE** | Financial Times Stock Exchange (Russell) |
| **FX** | Foreign Exchange |
| **G-Bond** | Government bond |
| **GDP** | Gross Domestic Product |
| **GDR** | Global Depositary Receipt |
| **GIZ** | The Deutsche Gesellschaft für Internationale Zusammenarbeit |
| **GSIS** | Government Service Insurance System |
| **GSS+** | Green, Social, Sustainable, and Other Labeled |
| **HNX** | Hanoi Stock Exchange |
| **HoSE** | Ho Chi Minh Stock Exchange |
| **IB** | Investment Banking |
| **ICMA** | The International Capital Market Association |
| **IDR** | Rupiah Indonesia |
| **IDX** | Indonesia Stock Exchange |
| **IFC** | International Finance Corporation |
| **IFRS** | International Financial Reporting Standards |
| **IHSG** | IDX Composite |

| | |
|---|---|
| **IMF** | International Monetary Fund |
| **IPO** | Initial Public Offering |
| **JETP** | Just Energy Transition Partnership |
| **JSC** | Joint Stock Company |
| **KPEI** | The Indonesia Clearing and Guarantee Corporation |
| **KRX** | Korea Exchange |
| **KSEI** | The Indonesia Central Securities Depository |
| **MDB** | Multilateral Development Bank |
| **MW** | Megawatt |
| **MSCI** | Morgan Stanley Cpaital International |
| **MTN** | Medium-Term Note |
| **NAV** | Net Asset Value |
| **Norfund** | Norwegian Investment Fund for Developing Countries |
| **NYSE** | New York Stock Exchange |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OJK** | Financial Services Authority |
| **OTC** | Over-the-counter |
| **PD** | Probability-of-Default |
| **PDEx** | The Philippine Dealing & Exchange Corp |
| **PDP8** | Power Development Plan VIII |
| **PE** | Private Equity |
| **PHP** | Peso Philippines |
| **PPP** | Public-Private Partnership |
| **PSE** | Philippine Stock Exchange |
| **POJK** | Peraturan Otoritas Jasa Keuangan (OJK Regulation) |
| **RBC** | Risk-Based Capital |
| **REIT** | Real Estate Investment Trust |
| **SBN** | Government Securities |
| **SBV** | State Bank of Vietnam |
| **SCIC** | State Capital Investment Corporation |
| **SEC** | Securities and Exchange Commission |
| **SET** | Stock Exchange of Thailand |
| **SFDR** | Sustainable Finance Disclosure Regulation (EU) |
| **SGX** | Singapore Exchange |
| **SGX-DC** | Singapore Exchange Derivatives Clearing |
| **SID** | Debtor Information System |
| **SLB** | Securities Lending & Borrowing |
| **SME** | Small and Medium Enterprise |
| **SOE** | State-Owned Enterprise |
| **SPO** | Second-party Opinions |
| **SPV** | Special Purpose Vehicle |
| **SRO** | Self-Regulatory Organization |
| **SSC** | State Securities Commission of Vietnam |
| **SSS** | Social Security System |
| **STP** | Straight-Through Processing |
| **TFEX** | Thailand Futures Exchange |
| **UITF** | Unit Investment Trust Fund |
| **UNDP** | United Nations Development Programme |
| **UPCoM** | Unlisted Public Company Market |

| | |
|---|---|
| **USD** | United States Dollar |
| **VAS** | Vietnam Accounting Standards |
| **VDB** | Vietnam Development Bank |
| **VND** | Vietnam Dong |
| **VSDC** | Vietnam Securities Depository and Clearing Corporation |
| **VSS** | Vietnam Social Security |
| **YTD** | Year to Date |

## Table of Figures


*Figure 1: Capital Market Indicators of ASEAN countries, 2025* ..... 7
*Figure 2: Sources of corporate financing in Vietnam* ..... 11
*Figure 3: Market capitalisation of Vietnam's equity market by exchange* ..... 13
*Figure 4: Sector weights, FY2025* ..... 13
*Figure 5: Stock daily average trading value* ..... 13
*Figure 6: Stock listings and delistings activities* ..... 14
*Figure 7: Important recent regulatory reforms in the equity market* ..... 14
*Figure 8: Average free-float rate by sector, 2025* ..... 14
*Figure 9: Vietnam's Initial Public Offering Over Years* ..... 15
*Figure 10: IPO sectoral concentration by amount raised, accumulated from 2022 – FY 2025* ..... 15
*Figure 11: Expected number of IPO deals from 2026 to 2030, FY 2025* ..... 15
*Figure 12: Comparative analysis of Prospectus Disclosure Standards* ..... 16
*Figure 13: Current Bottlenecks and Regulatory Reforms of the Vietnam market* ..... 17
*Figure 14: Impact Assessment on Vietnam's Emerging Market Reclassification* ..... 18
*Figure 15: Outstanding corporate bond value* ..... 19
*Figure 16: Outstanding value by sector and their weights, by the end of 2025* ..... 19
*Figure 17: Listing and Delisting activities on Vietnam Corporate bond market* ..... 19
*Figure 18: Public Bonds and Private Bonds Outstanding Value on HNX* ..... 19
*Figure 19: Corporate Bond Market: Outstanding Value by Sector, by the end of 2025* ..... 19
*Figure 20: Important recent regulations in the C-bond market* ..... 20
*Figure 21: Overview of Derivatives market* ..... 20
*Figure 22: GSS+ bond issuance in Vietnam* ..... 21
*Figure 23: Ownership structure on Vietnam stock market, FY2025* ..... 22
*Figure 24: Net trading value on HoSE by type of investors* ..... 22
Figure 25: Investor composition in the privately placed C-bond market in Vietnam ..... 23
*Figure 26: Non-Sovereign DFI Investment Activity in Vietnam (2017 –2025) of Selected DFIs* ..... 31
*Figure 27: Composition of DFI-Recorded Deals in Vietnam, by Product Type (2017-2025)* ..... 31
*Figure 28: Sources of corporate financing in the Philippines* ..... 33
*Figure 29: Total market capitalisation and number of listed firms* ..... 34
*Figure 30: Weights of Market Capitalisation, FY2025* ..... 34
*Figure 31: Average Daily Value Traded and Net Foreign Transactions, 2020-2025* ..... 34
*Figure 32: Stock listings and delistings activities* ..... 34
*Figure 33: IPOs and Capital Raised, 2020–2025 (Est.)]* ..... 35
*Figure 34: Structural constraints and Implications for Foreign Institutional Participation* ..... 36
*Figure 35: Outstanding C-bonds* ..... 37
Figure 36: Outstanding value by sector weights, Sep-25 ..... 37
*Figure 37: Secondary Market Liquidity and Structural Illiquidity Diagnostics* ..... 37
*Figure 38: REIT Listings and Market Capitalisation* ..... 37
*Figure 39: Equity Market Ownership vs Trading Activity by Investor Type (2023)* ..... 38
*Figure 40: Institutional Investors – Portfolio Allocation and Regulatory Constraints* ..... 39
*Figure 41: Key Intermediaries in Equity and Bond Markets* ..... 41
*Figure 42: Overview of Market Infrastructure and Recent Enhancements* ..... 43
*Figure 43: Composition of DFI-Recorded Deals in the Philippines by Product Type, 2022 - 2025* ..... 44
*Figure 44: Source of Private Sector Financing (%)* ..... 46
*Figure 45: Equity Market Capitalisation & Listed Companies (1998-2023)* ..... 46
*Figure 46: Top 10 Largest Market Cap Companies* ..... 47
*Figure 47: Average Effective Free Float Across Countries* ..... 47
*Figure 48: Free Float Distribution of Listed Companies* ..... 48
*Figure 49: Sector Composition by Free Float Categories* ..... 48

*Figure 50: Size Composition by Free Float Categories* ..... 48
*Figure 51: IPO Count and IPO Fund-Raised by Sector (2021 – 2025)* ..... 49
*Figure 52: Top 10 Industries – number of listed companies (2022 – 2025)* ..... 49
*Figure 53: Process of Public Offering* ..... 50
*Figure 54: Listing Boards Comparison* ..... 50
*Figure 55: Number of Issuers* ..... 52
*Figure 56: Corporate Bond Market's Outstanding* ..... 52
*Figure 57: Outstanding value by sectors (%)* *Figure 58: Issuance by sectors (USD mil)* ..... 52
*Figure 59: Daily Trading Value, 2019-Q3/2025 (USD Bn)* ..... 53
*Figure 60: New Names of Issuer* ..... 53
*Figure 61: Green/Sustainable Bonds Value based on Issuer Type (USD Mn)* ..... 54
*Figure 62: Trend of Equity Ownership (2015-2025)* ..... 54
*Figure 63: Transaction Contribution and Net Foreign Flow* ..... 55
*Figure 64: Investor/ownership composition in corporate bonds (%), 2015-2025* ..... 56
*Figure 65: Minimum Investment Ticket Size by Bond Type* ..... 56
*Figure 66: Investment allocation of pension industries (%), 2015-2025* ..... 56
*Figure 67: Investment allocation of insurance and reinsurance companies (%), 2015-2025* ..... 57
*Figure 68: Underwriters in the Last 5 Years IPO* ..... 58
*Figure 69: Top Bond's Underwriter (%)* ..... 59
*Figure 70: Composition of DFI-Recorded Deals in Indonesia, by Product Type* ..... 60
*Figure 71:* Guaranteed Bonds by CGIF by Sector (Indonesia) (USD million) ..... 61

*Appendix 1: Vietnam's IPO pipeline* ..... 93
*Appendix 2: Profiles of IPO Candidates* ..... 94
*Appendix 3: Top 10 fund managers by AUM in Vietnam:* ..... 94
*Appendix 4: Top 3 institutional brokers/investment bankers:* ..... 98
*Appendix 5: Equity Market Cap as % of GDP, Southeast Asia (1996-2023)* ..... 100
*Appendix 6: Most Active Stocks by Share of Trading Volume (Jan-Nov 2025)* ..... 100
*Appendix 7: Free Float % Across Southeast Asia* ..... 101
*Appendix 8: IPO Realisation vs. IDX IPO Target (2021-2025)* ..... 101
*Appendix 9: Top 20 Largest Fund-Raised IPO (2022-2025)* ..... 101
*Appendix 10: Case studies of post-listing performance of 4 companies* ..... 102
*Appendix 11: Case studies of cross-listing and dual-listing* ..... 102
*Appendix 12: Bonds outstanding by tenors (%), 2019-2024* ..... 103
*Appendix 13: Top 10 Green/Sustainable Bonds Issuer in Indonesia* ..... 103
*Appendix 14: Top 10 Market Cap for State-Owned Enterprises* ..... 104
*Appendix 15: List of Companies in Astra Group* ..... 104
*Appendix 16: Summary matrix of the regulation (POJK Regulation No 27/2024 & POJK Regulation No.5/2023)* ..... 104
*Appendix 17: Question-by-Question Mapping Table to the TOR* ..... 106
*Appendix 18: Contribution list* ..... 108

## Executive Summary

Indonesia, the Philippines, and Vietnam have made substantial strides in capital market development over the past decade, implementing regulatory reforms, modernising infrastructure, and expanding product offerings that have broadened market access and attracted growing investor interest. Each market has achieved notable milestones that demonstrate genuine commitment to deepening capital markets as complements to bank financing. Building on this progress, significant opportunities now exist for development finance institutions to support the next phase of market maturation through targeted interventions in credit enhancement, issuer readiness, and institutional investor development.

**Figure 1: Capital Market Indicators of ASEAN countries, 2025**

| Country | LCY Corporate Bond Size | Corporate Bond Market Size/ GDP | Equity Market Capitalisation | Equity Market Capitalisation/ GDP | Turnover ratio on the equity market | Share of retail trading on the equity market | Share of foreign trading on the equity market |
|---|---|---|---|---|---|---|---|
| | *USD bn* | *%* | *USD bn* | *%* | *%* | *%* | *%* |
| **Indonesia** | 32.2 | 2.2% | 944.0 | 66.5% | 30.3% | 18.3% | 45.7% |
| **Philippines** | 27.0 | 5.0% | 318.0 | 66.0% | 13.0% | 16.0% | 46.3% |
| **Vietnam** | 54.0 | 10.4% | 398.8 | 77.8% | 67.3% | 54.1% | 11.6% |
| Singapore | 164.0 | 26.7% | 820.7 | 134% | 34.9% | - | - |
| Thailand | 137.1 | 23.6% | 504.6 | 96% | 61.5% | 29.0% | 54.1% |

*Source: FiinProX, PSE, IDX, ADB ABO, CEIC. Note: the data are for the full year of 2025. The share of retail trading in Thailand does not include trading by foreign retail investors*

### Vietnam

Vietnam's capital markets have expanded rapidly in recent years, supported by strong retail participation and accommodative monetary conditions. The equity market has grown substantially relative to GDP, with trading activity reaching the highest levels in ASEAN and the IPO pipeline has strengthened considerably. However, market liquidity remains concentrated in a narrow set of cyclical stocks, particularly banks and real estate, creating vulnerability to sector-specific shocks and limiting sustained foreign institutional interest. The market is overwhelmingly retail-driven, while institutional participation remains nascent despite recent regulatory reforms designed to attract long-term capital.

Vietnam dominates the MSCI Frontier Index (28.8% weight) with 69 constituents and abundant liquidity. The strategic narrative centers on the decoupling of market depth from its current classification: while MSCI EM remains a 2030 target, the September 2026 FTSE upgrade to Secondary EM acts as a definitive catalyst. This transition is expected to trigeer front-running by active institutional funds seeking to capitalize on the re-rating.

Meanwhile, the corporate bond market has undergone significant restructuring following disruptions in the real estate sector. Outstanding corporate debt has expanded considerably but remains concentrated in banking. Recent regulatory interventions have strengthened market discipline through mandatory credit rating requirements and stricter leverage limits for issuers. However, fundamental regulatory constraints on the largest domestic institutional investors, particularly Vietnam Social Security and insurance companies, which face strict limitations on non-government securities allocations, will need to be addressed before these institutions can serve as stable sources of corporate bond demand.

### Philippines

The Philippine capital market operates on a foundation of steady economic expansion and an established regulatory framework, yet it faces ongoing bottlenecks in secondary market depth and issuer diversity. The equities sector is characterised by low turnover and a limited pipeline of new public offerings. With only a handful of IPOs clearing the market recently, regulators have responded by lowering the minimum free-float requirement to 15% for mega-cap listings to attract larger issuances. However, the lack of independent research coverage for mid-to-small-cap firms and the absence of standardized hedging tools continue to deter foreign institutional participation and retail expansion.

Despite its established EM status, the Philippines faces a narrow index footprint, with the MSCI standard Index covers 11 constituents with 85% of market cap. This concentration creates a structural liquidity trap that sidelines high-quality mid-cap firms from global fund flows. Without a surge in high-quality IPO to diversify the basket, the market risks becoming a highly selective destination for institutional capital.

The corporate debt market is similarly concentrated, with top-tier issuers accounting for the vast majority of outstanding bonds. The secondary market suffers from extreme illiquidity due to a buy-and-hold investor base and

the absence of executable pricing benchmarks. A notable bright spot is the accelerated adoption of sustainable finance. Driven by alignment with the ASEAN Taxonomy, ESG-labeled instruments now represent a material share of total issuances, supported by banks and institutional capital.

**Indonesia**

Indonesia's capital markets have expanded substantially since the post–Asian Financial Crisis reforms of 1997–98, supported by strengthened macroeconomic stability, improved financial regulation, and modernised market infrastructure. Nevertheless, Indonesia's financial system remains structurally centred on the banking system and government securities, with public capital markets playing a limited role in long-term corporate financing relative to regional peers.

In the equity market, headline growth masks persistent weaknesses in depth and liquidity. Market capitalisation remains unevenly distributed, with a disproportionate share concentrated among large firms, primarily SOEs and conglomerate-linked companies. At the same time, trading activity is uneven and often driven by short-term retail sentiment rather than stable institutional participation. IPO activity has moderated since 2023, reflecting electoral cycles, macro uncertainty, and concerns over issuer quality. While initiatives such as tiered listing boards and fiscal incentives have broadened access, low free float and persistent controlling-shareholder dominance continue to constrain institutional engagement.

As a long-standing MSCI EM constituent, Indonesia currently serves as a test case for global "Investability" standards. Following the early 2026 rebalancing freeze due to ownership transparency concern, regulators have moved decisively to implement policies changes/reforms. The May 2026 MSCI review represents a privotal milestone that determine whether Indonesia remains a core EM allocation or faces a structural weight reduction based on qualitative governance and free-float reliabiltiy standards.

Indonesia's corporate bond market has grown in size but remains shallow and conservative. Issuance is concentrated among financial institutions and repeat issuers, investor demand is skewed toward high-grade credits, and maturities cluster in the 1 to 5-year range. Weak secondary-market liquidity, narrow investor participation, and conservative prudential treatment relative to government securities reinforce buy-and-hold behaviour and limit price discovery. Trust-related frictions, particularly uncertainty around default resolution and recovery, further dampen appetite for lower-rated and first-time issuers.

**Actionable Recommendations**

Actionable interventions for development finance institutions should address the structural constraints through catalytic mechanisms that strengthen market functions rather than simply adding capital. Credit enhancement remains a priority across all three markets, particularly through guarantee structures or direct co-investment vehicles that derisk lower-rated and first-time issuers in infrastructure and climate-aligned sectors. These mechanisms should be designed to crowd in private capital rather than substitute for it, with clear graduation pathways as issuer track records strengthen and market pricing mechanisms mature.

Technical assistance programs should focus on building issuer readiness, particularly for mid-sized corporates that lack the resources or expertise to navigate public market requirements. This includes support for financial reporting aligned with international standards, governance improvements, and development of credible sustainable finance frameworks with measurable key performance indicators and robust impact tracking.

Anchor investment strategies should target qualified initial public offerings and sustainable bond issuances in priority sectors, demonstrating commercial viability and signaling quality to domestic institutional investors. This is particularly relevant in Vietnam, where state-owned enterprise equitisation programs present opportunities for long-term equity stakes that can support the government's market capitalisation targets while ensuring credible governance during ownership transition. In the Philippines, anchor participation in mid-cap listings could help address chronic undersubscription concerns and establish pricing benchmarks for similarly positioned firms.

Capital markets in Indonesia, the Philippines, and Vietnam exhibit meaningful progress in infrastructure and regulation but remain constrained by structural challenges that limit their effectiveness as channels for long-term corporate and infrastructure financing. All three countries remain heavily bank-dependent, with shallow institutional investor participation, concentrated issuer bases, and underdeveloped secondary market liquidity. However, strategic opportunities exist in credit enhancement, anchor investment in sustainable finance instruments, issuer readiness programs, and liquidity support mechanisms. These interventions can play catalytic roles in shifting markets toward greater depth, institutional maturity, and inclusiveness, ultimately strengthening their capacity to mobilise long-term capital for sustainable and inclusive economic growth.

## Introduction

This project provides a diagnostic assessment of public capital markets in Indonesia, the Philippines, and Vietnam, focusing on equity markets, corporate bonds, and other listed instruments. The analysis examines market structure and performance, including activity levels, efficiency, stability, and overall market health, alongside the roles of key participants such as issuers, institutional investors, and financial intermediaries. It also reviews market infrastructure, regulatory frameworks, and the broader macroeconomic context shaping capital market development.

The study is designed primarily to inform the MOBILIST programme that aims to mobilise institutional capital for sustainable development through listed products, leveraging the transparency, liquidity, and scalability of public markets. Building on the programme's recent transactions in the region. including two IPOs in the Philippines and one in Thailand, with a further transaction expected to be announced, this research assesses whether there remains a clear rationale for continued MOBILIST engagement in Southeast Asia and identifies market dynamics that may shape future investment opportunities. Building on the market diagnostic, the study identifies practical opportunities for strengthening public capital markets in the three focus countries. Particular attention is given to gaps in corporate bond markets and corporate IPO ecosystems, where public markets could play a greater role in mobilising long-term capital for economic development.

This Final Research Report synthesises quantitative analysis and stakeholder consultations and translates the findings into actionable recommendations for key market participants, including regulators, stock exchanges and market infrastructure providers, financial intermediaries, institutional investors, and issuers. The recommendations aim to address structural constraints, strengthen market functions, and identify areas where development finance actors such as MOBILIST can catalyse market development.

# A. Analytical Framework

## I. Evidence Review

This report is grounded in a mixed-methods evidence base that combines quantitative market data, qualitative stakeholder insights, and a review of relevant policy, regulatory, and academic literature. The objective of the evidence review is to ensure that the diagnostic findings, constraints analysis, and proposed development finance interventions are robust, comparable across countries, and anchored in verifiable sources.

### 1. Data Sources and Coverage

- **Market and financial data.** Quantitative analysis draws primarily on official and market-based data sources, including national stock exchanges, central securities depositories and clearing institutions, central banks and Ministries of Finance, and regional databases. These data are complemented by commercial market databases covering equity trading, corporate bond issuance, investor composition, and market liquidity. Together, these sources provide consistent time-series evidence on market size, activity, and structure across Indonesia, the Philippines, and Vietnam.
- **Regulatory and policy materials.** The analysis incorporates primary legislation, decrees, circulars, and regulatory guidance issued by securities regulators, central banks, and ministries of finance. These documents are used to assess the regulatory environment, prudential constraints, disclosure requirements, and recent reforms affecting equity markets, corporate bonds, intermediaries, and market infrastructure.
- **Development finance institution (DFI) data.** Evidence on DFI activity is based on publicly disclosed transaction data, annual reports, project databases, and press releases from multilateral and bilateral DFIs, as well as credit enhancement vehicles. These sources are used to quantify the scale, instruments, sectoral focus, and evolution of DFI interventions, and to assess their effectiveness in mobilising private capital through public markets.

### 2. Qualitative Evidence and Stakeholder Inputs

The stakeholder consultation process was designed to capture a balanced and representative range of perspectives across the capital market ecosystem in each country. A purposive sampling approach was applied to identify institutions and individuals with direct involvement in, or influence over, the development and functioning of the capital markets. Stakeholders were selected across several core groups, including financial regulators and policymakers, stock exchanges and market infrastructure providers, institutional investors (such as asset managers, pension funds, and insurance companies), securities companies and investment banks, credit rating agencies, and corporate issuers. This multi-stakeholder coverage ensures that the analysis reflects both the policy and regulatory perspective as well as the practical experiences of market participants involved in issuance, investment, intermediation, and risk assessment.

Within each stakeholder group, interview candidates were selected based on their institutional role, market relevance, and technical expertise. Priority was given to organisations with significant market presence, active participation in the stock and corporate bond market, or a direct role in shaping market regulations and practices.

For private sector participants, the sample aimed to include institutions with varying market positions, such as large securities firms, different types of institutional investors, and issuers from key sectors, to capture diverse views on market access, liquidity conditions, and financing needs. For public sector stakeholders, consultations focused on agencies responsible for capital market regulation, financial stability oversight, and market infrastructure development.

The consultation process followed a structured but flexible interview format, allowing comparability across interviews while also enabling stakeholders to elaborate on issues specific to their roles. Interview guides were designed to explore themes such as investor confidence, market incentives, regulatory effectiveness, governance practices, operational constraints, and the usability of market infrastructure. This approach complements the quantitative analysis by providing qualitative insights into behavioural drivers, institutional incentives, and practical implementation challenges that are not fully observable in market data.

Stakeholder inputs are triangulated against observed market outcomes (e.g. issuance volumes, liquidity patterns, investor participation) to avoid over-reliance on perception-based evidence. Where views diverge, the report highlights areas of uncertainty and reflects a range of perspectives.

### 3. Analytical Approach

The evidence is analysed using a consistent analytical framework that examines the interaction between issuers, investors, intermediaries, market infrastructure, and the regulatory environment. This approach allows the report to identify both country-specific constraints and common structural patterns across the three markets. Particular attention is paid to:

- Gaps in standard market functions relevant to corporate IPOs and corporate bond markets;
- Demand-side constraints affecting institutional investor participation;
- Intermediary capacity, incentives, and concentration;
- Infrastructure readiness and bottlenecks in trading, clearing, settlement, and data provision.

Comparative indicators (e.g. market capitalisation to GDP, bond market depth, investor composition, liquidity metrics) are used to benchmark each market against regional peers and international norms.

### 4. Limitations of the Evidence Base

Several limitations should be noted. First, data availability and quality vary across markets and instruments, particularly in corporate bond secondary trading, credit risk metrics, and long-tenor yield curves. Second, some institutional investor holdings and transaction data are only available at an aggregate level, limiting granularity in behavioural analysis. Third, qualitative evidence reflects conditions at the time of interviews and may evolve as reforms are implemented or market sentiment shifts. Despite these constraints, the combination of multiple data sources, stakeholder validation, and cross-country comparison provides a sufficiently robust evidence base to support the final findings and to inform the final phase of analysis. Please refer to Part 3. Data Gaps in Section E. Gap Analysis.

**Treatment of Missing data:** Across all three markets, where data were missing or of insufficient quality, the report applies a consistent treatment: (i) the gap is explicitly identified; (ii) the analytical approach is adjusted to rely on qualitative evidence, stakeholder input, or regional benchmarks as a substitute; and (iii) any conclusions drawn from imputed or proxied data are presented with appropriate caveats. Omissions are explicitly documented to ensure full transparency regarding the replicability of our findings.

Where data series are incomplete, gaps are addressed by using the most recent available year or time and, where necessary, by consolidating figures across multiple sources. All sources drawn upon are official or authoritative in nature, including qualitative insights from direct market participants, regulatory filings, central bank and ministry publications, exchange announcements, and reputable market publications and research articles. The provenance of such indicators is noted in the relevant tables and figures. For data regarding underdeveloped instruments, such as the derivatives for some countries, the report therefore treats it as a purely qualitative variable, evaluating structural barriers rather than quantitative growth trends. This treatment ensures that the evidence base remains transparent and that readers can assess the degree of confidence attached to each finding.

## II. Applied conceptual framework

The report applies an integrated **capital market development framework** to assess how public markets function and to identify binding constraints and intervention opportunities across Indonesia, the Philippines, and Vietnam.

### 1. Core Framework Structure

The framework views public capital markets as an ecosystem of five interdependent pillars, where weaknesses in any pillar can limit overall market depth, efficiency, and resilience:

- Issuers (Supply Side) – the readiness, incentives, and capacity of corporates and state-linked entities to access public markets.
- Investors (Demand Side) – the depth, diversity, and behaviour of domestic and foreign institutional investors.

- Intermediaries – the role and capability of underwriters, arrangers, brokers, rating agencies, research providers, and market makers in facilitating issuance, distribution, and liquidity.
- Market Infrastructure – trading, clearing, settlement, custody, data, and risk-management systems that enable efficient and safe transactions.
- Regulatory and Policy Environment – laws, regulations, supervision, and policy incentives shaping participation, risk-taking, and market confidence.

### 2. Analytical Lens and Diagnostic Questions

For each pillar, the framework applies a consistent set of diagnostic questions:

- Functionality: Are core market functions (price discovery, liquidity provision, risk transfer, long-term funding) operating effectively?
- Depth and Scale: Is participation sufficiently broad to support large and repeated issuance?
- Incentives and Constraints: Do current incentives encourage or discourage market use by issuers, investors, and intermediaries?
- Comparability: How does current practice compare with regional peers and mature markets?

This approach enables identification of missing or underdeveloped market functions, particularly those critical for corporate bond markets and IPO pipelines.

### 3. Cross-Country and Comparative Application

The same conceptual framework is applied consistently across Indonesia, the Philippines, and Vietnam to enable comparative analysis. Common structural themes (e.g. narrow institutional investor bases, bank-dominated financing, limited secondary market liquidity) are identified alongside country-specific constraints and reform trajectories. This ensures that final recommendations can be framed at both a regional level and a country-specific level.

### 4. Role in Shaping Recommendations

The conceptual framework serves as the organising structure for the report's findings and recommendations. It provides the basis for translating diagnostic insights into **actionable, sequenced recommendations** tailored to different stakeholder groups (regulators, exchanges, DFIs, intermediaries, and institutional investors), and for identifying priority intervention areas for MOBILIST.

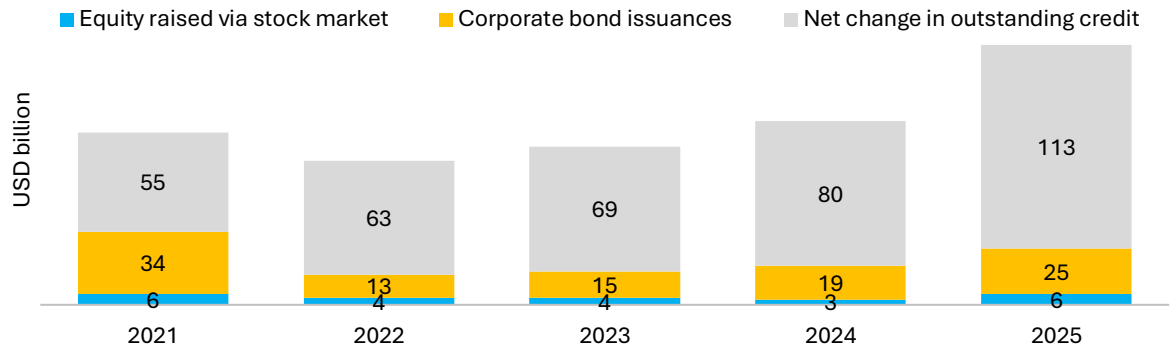
# B. Vietnam Market

## I. Market Landscape & Activity

Vietnam remains a banking-based economy, with banks still the primary source of corporate financing, accounting for 137% of the country's GDP by the end of 2025. Nevertheless, the equity market has expanded rapidly, with market capitalisation reaching around 77.8% of GDP in 2025 (up from 62.7% in 2024) and average daily trading value exceeding USD 1.5 billion, the highest in ASEAN. However, IPO activity has been slow due to the limited pipeline of large private corporates and the suspension of SOE privatisation until recent policy developments.

The corporate bond market has shown expansion, accounting for approximately 10.4% of GDP at 2025 end, though access to international debt markets remains constrained by low bankability of large projects by private sector and the Vietnam's non-investment grade sovereign credit rating.

**Figure 2: Sources of corporate financing in Vietnam**




*Source: FiinPro, SBV, SSC, HNX, Cbond HNX*

In recent years, Vietnamese government has several policy reforms to unlock its domestic capital market and to attract foreign indirect capital for corporate financing and supporting the ambitious economic growth at a 2-digit GDP growth from 2026 until 2030. Despite these developments, there remains a large long-term financing gap for

infrastructure and corporate investment, as banks lack long-term funding capacity and domestic DFIs are weak, making the mobilisation of long-term capital from domestic and foreign investors-particularly foreign DFIs-increasingly important.

**Key Messages**

**Equity Market Concentration and Liquidity Constraints**

Vietnam's equity market has rebounded strongly, with daily trading value surging 3.5× since 2020. However, the market remains heavily concentrated in Banks and Real Estate, which together represent nearly 50% of market capitalisation and dominate trading activity. Trading is short-term and cyclical, institutional participation is thin, and market cap is modest relative to peers. Listed company count has declined amid tighter listing standards.

**IPO Pipeline and Corporate Governance Gaps**

IPO activity remained subdued and structurally constrained but has ramped up since 2025. SOE equitisation has declined 93.4% from its 2015–2019 peak, while large private IPOs are hampered by low free float — with controlling shareholders often retaining over 65% post-listing — limiting investability under MSCI and FTSE methodologies. Recent offerings in 2025 are concentrated in securities brokerage, ahead of a more diversified wave expected from 2026. Corporate governance weaknesses persist across key areas: low board independence, opaque ultimate beneficial ownership (UBO) structures, related-party transaction risks, and prospectus disclosure standards that fall materially short of international benchmarks.

**Market Infrastructure Reforms and MSCI Upgrade Trajectory**

Vietnam has made significant strides toward MSCI Emerging Market reclassification: the removal of pre-funding requirements (Circular 68/2024), KRX trading platform (May 2025), streamlined omnibus account opening and global broker access (Circular 08/2026), and Central Counterparty Clearing (targeted Q1 2027). Remaining bottlenecks include foreign ownership limits in sensitive sectors, limited domestic securities firms balance sheet capacity, and the complexity of FOL liberalisation. Reclassification would bring meaningful inflows and valuation re-rating, but carries risks including capital flow volatility, retail crowding-out, and potential overvaluation if P/E expansion outpaces earnings growth.

**Fixed Income and Sustainable Finance Rigidities**

Vietnam's corporate bond market totals USD 53.7 billion in outstanding value, dominated by credit institutions (51.5%) and real estate (28.9%). The market is structurally bifurcated: public bonds are small and illiquid, while the private placement channel - governed by less stringent standards - remains the primary fundraising route. Recent reforms have improved disclosure and trading registration for private bonds, and opened DFIs/MDBs as eligible guarantors, whose can be a meaningful enabler for blended finance structures. The GSS bond market is nascent at USD 1.64 billion cumulative (2016–2025), bank-led, and largely voluntary, with limited pre-IPO ESG data constraining SFDR-aligned institutional participation.

## 1.1 Equity market

### 1.1.1. Market performance

Vietnam’s equity market capitalisation expanded rapidly from 2020, supported by strong retail participation, accommodative monetary conditions, and accelerated listings during the COVID-19 period. Growth slowed in the post-Covid phase amid weaker global risk sentiment, corporate bond market disruptions, and heightened regulatory scrutiny weighed on valuations and issuance activity. More recently, market capitalisation has rebounded as liquidity improved, confidence recovered, and regulatory reforms enhanced market accessibility and efficiency.

Total market capitalisation over GDP stands at 77.8% by the end of 2025, showing a moderate size relative to the overall economy. The market is dominated by sectors such as Banks and Real Estate, which collectively account for a significant share and drive most of the daily trading liquidity. This trend suggests that liquidity in the Vietnam stock market tends to be short-term in nature, heavily concentrated in cyclical stocks that are highly dependent on credit growth. As a result, market capitalisation has not seen substantial breakthroughs and has struggled to attract foreign investment.

***Figure 3: Market capitalisation of Vietnam's equity market by exchange***

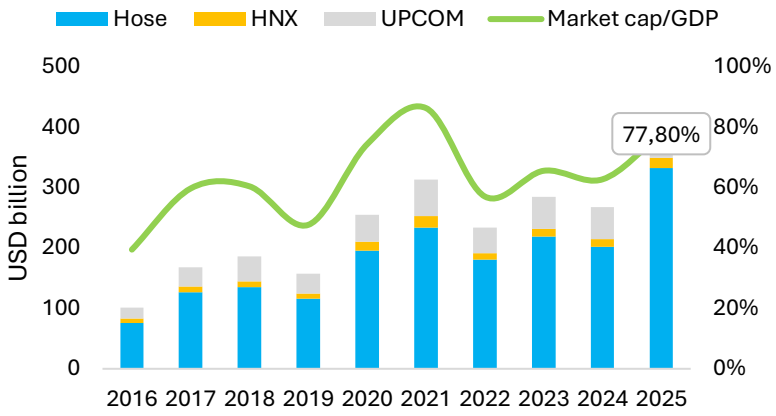


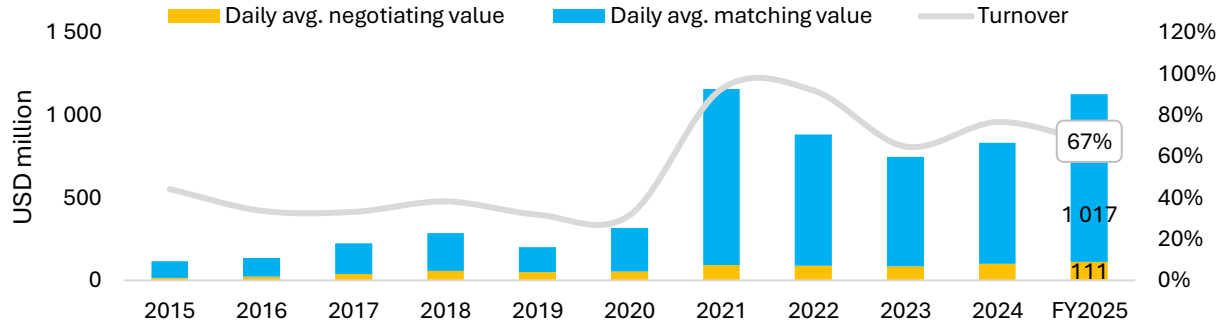

***Figure 4: Sector weights, FY2025***

| Sector | % |
|---|---|
| Credit institution | 27.3% |
| Real Estate | 22.6% |
| Food & Beverages | 7.7% |
| Industrial Goods & Services | 5.9% |
| Utilities | 5.2% |
| Financial Services | 5.5% |
| Basic Resources | 3.8% |
| Travel & Leisure | 3.3% |
| Construction & Materials | 3.0% |
| Telecommunications | 3.3% |
| Others | 12.4% |
| **Total** | **100.0%** |

*Source: FiinPro, SSC, HNX, HoSE. Note: HoSE – Ho Chi Minh Stock Exchange, HNX – Hanoi Stock Exchange, UPCoM – Unlisted Public Company Market (stock trading system for public companies that are not yet eligible for listing)*

Significant improvement in liquidity is seen, as the market has surged 3.5 times in liquidity compared to 2020, with an average USD 1,128 million in daily trading value and 1,168 million shares in daily trading volume in 2025. The market is making a strong rebound from the subdued conditions seen during 2022–2024, when geopolitical tensions, tighter monetary policy, and several high-profile corporate legal incidents weighed on sentiment. Trading and liquidity conditions are strongest in the large-cap segment of HoSE and remain thinner in HNX and especially UPCoM. Sector-wise, Banking, Real Estate, and Financial Services remained in the top three sectors with the highest average trading value in the market. This continues to reflect the speculative and cyclical nature of the market over the years, especially given the limited supply of new, high-quality stocks.

***Figure 5: Stock daily average trading value***




*Source: FiinPro, SSC, HNX, HoSE, UpCoM*

*Note: Turnover = Trading value/Market Capitalisation*

The market has seen continuous slippage in the number of listed companies, with 706 companies currently listed, marking a 5.7% drop from the peak in 2021. The market exhibited a trend of shrinking pipeline in the post-Covid-19 period amid a broader downturn in markets, reducing the effectiveness of equity fundraising for many firms. High-profile cases involving corporate bonds and stock-price manipulation have led the exchanges to tighten regulatory oversight, strengthen disclosure requirements and listing standards. The delisting trend in recent years is more focused in board transfers (from main boards to UPCoM) rather than full de-lists.

*Figure 6: Stock listings and delistings activities*

| Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | FY2025 |
|---|---|---|---|---|---|---|---|---|---|
| **HoSE - HNX exchanges** | **728** | **748** | **745** | **745** | **749** | **742** | **721** | **705** | **706** |
| *Newly listed firms* | 51 | 28 | 23 | 30 | 25 | 11 | 9 | 12 | 17 |
| *Delisting firms* | -20 | -12 | -28 | -30 | -21 | -18 | -30 | -28 | -16 |
| **UPCoM exchange** | **690** | **810** | **875** | **914** | **892** | **856** | **863** | **888** | **869** |
| *New registered firms* | 285 | 137 | 88 | 71 | 52 | 39 | 44 | 52 | 15 |
| *De-registered firms* | -11 | -21 | -23 | -33 | -69 | -72 | -36 | -26 | -34 |

*Source: SSC, HNX, HOSE*

Alongside the expansion of the equity market, regulators have introduced a series of reforms to accommodate growing participation and transaction volumes. These measures aim to enhance market efficiency, reduce operational frictions, and progressively align the market framework with international standards

*Figure 7: Important recent regulatory reforms in the equity market*

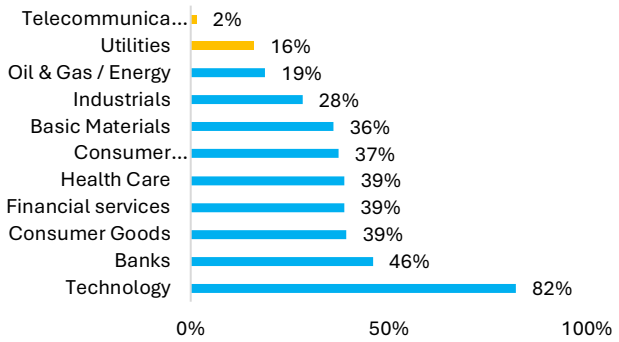
| Regulation | Description | Assessment |
|---|---|---|
| **Circular 08/2026/TT-BTC**[1] | • **New trading method for foreign investors**: Allow to place orders via global brokers without opening accounts with domestic securities firms<br>• **Lift Non-Prefunding Restrictions**: Remove limitations on the list of stocks eligible for Non-Prefunding trading<br>• **Accounts opening:** Allows foreign fund management companies to open two separate trading accounts for proprietary trading and client portfolios managing | Help reduce procedures and costs caused by having additional contractual agreements with local securities firms; Address challenges with replicating benchmark indices and ensure transparency of capital flows and protect investors' rights. |
| **Decree 245/2025/ND-CP**[2] | • **Lift foreign ownership cap:** Prevents listed and public companies from arbitrarily setting FOLs below the legal cap<br>• **Simplified Capital Contribution:** Companies are no longer required to complete capital contribution audits before applying for PO.<br>• **Integrate the IPO and listing procedures:** the listing period after an IPO will be reduced from 90 days to 30 days.<br>• Professional investors definition to include foreign investors | This reform guarantees the rights of foreign shareholders in buying and selling shares and drastically improves the IPO to Listing timeline. This speed and clarity reduce the time risk for DFIs seeking a public exit. |
| **Circular 68/2024**[3] | • **Removes the Pre-funding Requirement:** Eliminates the mandate for foreign institutional investors to fully deposit money before placing a stock order.<br>• **Settlement Standards:** Requires foreign investors to have sufficient funds only by the final settlement deadline (T+2) | Help limit exchange rate fluctuations during the payment cycle and enable real-time liquidity, optimizing the interests of foreign investors in transactions |
| **Launch of KRX Trading System** | • Handle higher trading volumes and shorten trade settlement cycles<br>• KRX is the essential infrastructure to enable Central Counterparty Clearing (CCP) (expected to be implemented in early 2027) to meet global trade settlement standards and handle higher trading volumes. | Provides the necessary technological backbone for the Emerging Market status. |

### 1.1.2. IPO Assessment

IPO activity in Viet Nam has remained subdued due to the limited number of large private corporations seeking listings despite meeting minimum market-capitalisation thresholds. This is due to the low foreign ownership limits (30% for banks and 49% for conditional business sectors) significantly reducing market investability. At the same time, the equitisation of state-owned enterprises (SOEs) has stalled, largely because of persistent challenges related to asset valuation and procedural complexities. This resulted in a 93.4% decline in privatisation figures during 2020 - 2024, compared to the peak period in 2015 - 2019.

***Figure 8: Average free-float rate by sector, 2025***

[1] Refer to Circular 08/2026/TT-BTC
[2] Refer to Decree 245/2025/ND-CP
[3] Refer to Circular 68/2024

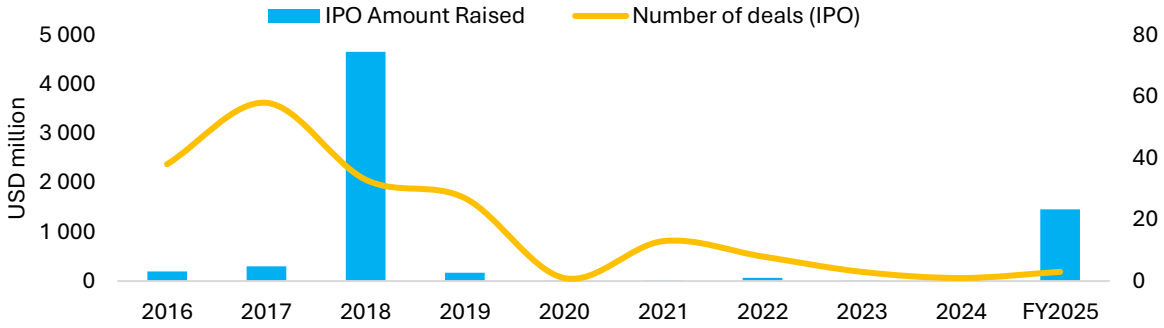



Low free float at IPO is one of many constraints, as candidates retain highly concentrated ownership, often with controlling shareholders holding over 65% post-listing that weakens corporate governance incentives. On the other hand, IPO viability is affected by the dominant role of retail investors and limited institutional participation, which has contributed to overvaluation in some offerings relative to market and sector benchmarks.

*Source: FiinPro, HOSE, HNX, UPCoM*

A notable trend is using UPCoM as a transitional market, as firms can migrate to the main exchanges after trading on UPCoM for at least two consecutive years without the need of IPO. This shift has accelerated ahead of the planned merger of HoSE and HNX, prompting companies and major SOEs to prepare transition strategies.

***Figure 9: Vietnam's Initial Public Offering Over Years***




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Number of deals** | 38 | 58 | 33 | 27 | 1 | 13 | 8 | 3 | 1 | 3 |
| **IPO Amount raised** | 195 | 304 | 4,667 | 172 | 9 | 16 | 71 | 7 | 37 | 1,461 |

*Source: FiinPro, Deloitte IPO report, Companies' public announcements and news outlet.*

In 2025, the story of market upgrade to secondary Emerging Markets classification by FTSE Russel and securities policy developments play roles in ramping up the IPO movement, six IPOs have been planned in 2H2025 and the first half of 2026. Most transactions are concentrated in the financial services (specifically in securities brokerage sector), with the recent recorded USD 1,461mn from TCBS, VPBS, VPS and upcoming raising round from Kafi Securities scheduled for early 2026. This is to meet with the significant need for large-scale capital raising to keep up with expected acceleration of the stock market. Additionally, a more diversified wave of IPOs spanning non-financial and FDI-backed names such as C.P Vietnam is expected to boost market capitalisation and help rebalance the stock market's industry composition. Please refer to Appendix 1 for the IPO pipeline.

***Figure 10: IPO sectoral concentration by amount raised, accumulated from 2022 – FY 2025***

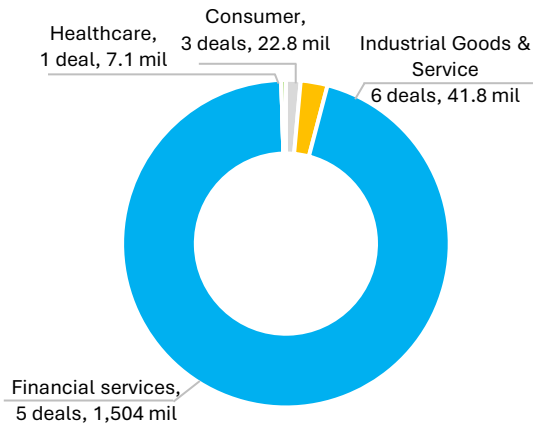
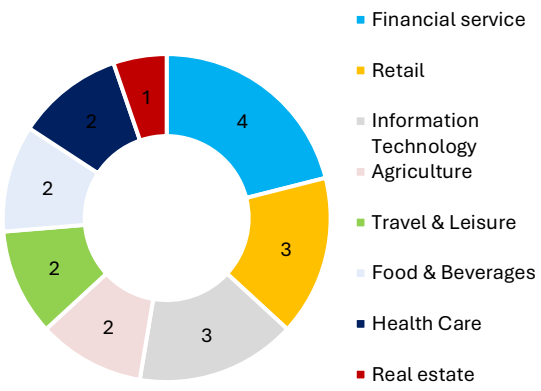



***Figure 11: Expected number of IPO deals from 2026 to 2030, FY 2025***




*Source: FiinPro, Deloitte IPO Report, Companies' public announcements.*

**Barriers and limitations:**

Primary structural barrier to market investability in Vietnam is the **high ownership concentration** among IPO candicates. Vietnam offerings, particularly those involving conglomerate carve-outs, frequently result in the parent entity or founding family retaining absolute control. This concentration creates a "liquidity paradox" as their actual investable universe remains restricted.

Despite strong IPO activity and growing investor interest, **corporate governance** remains a key area of concern in Vietnam, raising questions about the underlying quality and investability of newly listed companies:

- **Low Board Independence:** Vietnam's legal minimum is among the lowest in ASEAN. Circular 116/2020/TT-BTC specifies by headcount rather than proportion: 1-2 independent directors for boards of 3-5 members, 2 for boards of 6-8 members, and 3 for boards of 9-11[4]. Under the alternative one-tier model under Enterprise Law 2020, at least 20% of board members must be independent. In conglomerate-structured IPO candidates, those seats are typically held by senior executives of affiliated group entities or in some cases by potential nominees of the controlling shareholder, and independent directors often lack the mandate or the culture leverage to challenge the founding chairman. Moreover, as founding families, parent banks, or the State hold 50-80% of pre-IPO entity, board nomination is effectively controlled by a single party, making substantive independence contingent on the controlling shareholder's willingness to cede influence.
- **The UBO blind spot:** Control in family-run firms might be fragmented across silent "proxies" or shell companies that stay below the 5% major disclosure threshold. Institutional investors may find their minority voting rights effectively neutralised by founder who maintains secret majority control.
- **Related party transaction (RPT) opacity:** The subsidiary often transacts with its parent group at prices set internally. While prospectus Annex 01 (Circular 118/2020/11-BTC – the primary regulation on IPO disclosure) requires issuers to disclose related-party relationships using VAS 26 definitions, it serves only as a formal disclosure requirement. It notably lacks a mandate for independent arm's-length confirmation or fairness opinion, creating a risk of unverified structural RPT dependencies[5]. This is the most frequently cited governance risk existed among bank-subsidiary brokerage IPOs, as business model of each is structurally dependent on intra-group RPTs and potentially mask the true operational sustainability and financial quality of issuers.

**Transparency could also pose other gaps that affect investor confidence and investor outcome.** According to VLCA 2025, disclosure quality at the issuer level remains the weakest link between Vietnam's market upgrade and durable institutional capital inflows. Only 37 to 45% share of companies fully disclosing ownership percentages across all four required shareholder groups (by %, institutional/individual, domestic/foreign, state/other); Only 12% share of companies publishing a sustainability report aligned with international standards (GRI, ISSB S1/S2, TCFD); and only 28% share of companies fully disclosing individual remuneration, compensation and benefits for all Board, Supervisory Board and executive management members[6].

Moreover, the Vietnam IPO prospectuses are governed by Circulars 98/2020 and 118/2020, updated by Decision 709/QD-UBCK. A systematic comparison against EU Prospectus Regulation and SEC Form S-1 reveals material information gaps that affect institutional investors' ability to make fully informed allocations decisions:

***Figure 12: Comparative analysis of Prospectus Disclosure Standards***

| Prospectus Element | EU/SEC Standard | Vietnam Requirements | Information Gaps |
|---|---|---|---|
| **Capitalisation & Indebtedness Statement** | EU: Mandatory, must show capitalisation and indebtedness as of date no earlier than 90 days before prospectus.<br>SEC: Addressed within MD&A, discussion of contractual obligations, off-balance-sheet arrangements, debt covenants. | Not required as a standalone item in Annex 01 template.<br>Debt position derivable from audited FS, no post update requirement.<br>No requirement for pro-forma cap structure post-IPO proceeds application. | For conglomerate-structure issuers with significant related-party borrowings, absence of a consolidated indebtedness statement creates material credit risk blind spots. DFIs with leverage covenants cannot verify covenant headroom or cross-default risks from prospectus disclosure alone. |
| **Working capital adequacy** | EU: Explicit 12-month sufficiency statement. If sufficient, must state how additional WC will be obtained.<br>SEC: Not standalone, but MD&A must include explicit 12-month liquidity discussion. Negative CFO triggers mandatory SEC comment. | Not required. Circular 118 and Securities Law 2019 impose no liquidity sufficiency statement. No 12-month forward liquidity adequacy disclosure in Annex 01. | Foreign investors and DFIs have no prospectus-level assurance that the issuer can meet operating obligations post-listing. This is particularly acute for growth-stage firms' IPOs. |
| **Binding use of proceeds (UOP)** | EU: **Binding commitment**, reallocation requires shareholder vote and prospectus supplement. | Directional disclosure under Annex 01 of Circular 118/2020 but **no enforcement mechanism** as | DFI financing agreements typically require binding use-of-proceeds commitments as a disbursement |

[4] Refer to Circular 116/2020/TT-BTC
[5] Refer to Circular 118/2020/TT-BTC and its Annex 01
[6] VLCA 2025 - Corporate Governance Assessment Report Vietnam Listed Companies 2025 - EN.pdf

| | | | |
|---|---|---|---|
| | SEC: deviation may constitute a material misstatement. Related-party payments must be disclosed. | reallocation can be approved by subsequent GMS resolution with no investor withdrawal rights. | condition. Risk of capital redirected to related-party entities cannot be contractually guarded. |
| **Pre-IPO ESG baseline** | TCFD/ISSB-aligned for post-listing IPO, subjected to SFDR and EU Taxonomy disclosure obligations. EU Listing Act 2024 amendments under review to required ESG summary in prospectus. SEC: Not required, material climate risks disclosed under risk factors. | Annual ESG required post-listing under Circular 96. Not mandatory for pre-IPO | While all markets do not require pre-IPO ESG disclosure, absence of pre-IPO ESG disclosure requires DFIs to commit independent assessments. SFDR Article 8/9 fund managers cannot allocate to Vietnam IPOs without supplementary ESG data that the prospectus does not provide. |
| **Shareholder structure & UBO to natural person** | EU: beneficial ownership registers and ALM integration. Post-IPO diluted ownership, differential voting rights, and anti-takeover mechanism required. SEC: Beneficial ownership table for all >5% holders and all directors/officers under Rule 13d-3. Lock-up timing and volume detailed | Required: founding shareholders, major shareholders (>5%), board ownership. Lock-up: major shareholders hold 100% shares for 1 year pre-IPO. **UOB disclosure (>25%) newly mandated under Law 76/2025[7], yet enforcement depth uncertain**. | Without UBO tracing to natural person, DFIs cannot identify the true economic beneficiary or assess tunnelling risk in family-owned or conglomerate issuers. While the 1-year lock-up is stronger than many markets, the absence of an UBO disclosure means the effective lock-up may be shorter than stated. |
| **Arm's length Related-party Transaction (RPTs) confirmation** | EU: All material transactions and outstanding balance disclosed. Separate conflicts section mandatory. Fairness opinions are mandated. SEC: Any transactions > USD 120K involving director, officer, or >5% shareholder individually disclosed with amounts. Board must confirm arm's -length approval or explain. | Requirement on material RPTs disclosed under VAS 26 in audited FS. Partners involved in the offering and related transactions listed. No requirement valuation or arm's-length confirmation to be included | The prospectus framework provides inadequate protection against value leakage through undisclosed or non-arm's-length transactions. Investors in family-run or conglomerate IPO issuers cannot assess whether offering prices, service contracts, or financing arrangement with related entities are economically rational. |
| **Individual board remuneration** | SEC: individual disclosure and ACGS best practice. EU: Mandatory individual disclosure for all administrative/management body members. | Not mandatory, required only the aggregate total of BOD and Supervisory Board (Enterprise Law 2020, Circular 118/2020). Most IPO prospectuses disclose only the collective total. | Difficult to assess whether management compensation is aligned with shareholder interests or whether incentive structures create short-term risk. Investors cannot identify excessive self-dealing remuneration (including related-party service fees to family entities). |
| **Post-Balance Sheet Event & Supplement Mechanism** | EU: Any significant new factor, material mistake, or inaccuracy after prospectus approval triggers a mandatory supplement. Subscribed Investors have 2 working days to withdrawals. SEC: Prospectus updated via S-1/A amendments for material events. If annual FS age beyond 135 days, new interim financial required. Material subsequent events must appear in updated FS or notes. | Material events after balance sheet date should be included. But no formal prospectus supplement mechanism exists. No obligation to issue a supplementary prospectus if material events occur during SSC review. No investor withdrawal rights triggered by post-approval developments. | This creates Lock-up risk for foreign investors if material adverse events emerge after SSC approval but before listing. For long-duration DFI investments made on prospectus terms, post-approval changes that are not disclosed represent a governance risk. |

### 1.1.3. Outlook for MSCI Upgrade

While Vietnam was excluded from the 2024 MSCI classification review, the market has historically faced accessibility hurdles identical to those cited by FTSE Russell, including foreign ownership limits (FOL), pre-funding mandates, the absence of a Central Counterparty (CCP), and inconsistent English-language disclosures. Despite MSCI's more stringent and less flexible rating standards, significant progress was made between 2024 and early 2026. Vietnam has proactively addressed most of the missing criteria, demonstrating a concerted effort to qualify for the MSCI Watch List for Emerging Market reclassification.

***Figure 13: Current Bottlenecks and Regulatory Reforms of the Vietnam market***

| Requirement (MSCI Standard) | Current Bottlenecks | Reforms & Regulations Undergoing |
|---|---|---|
| **Market Regulations (Non-Prefunding)** | Mandatory 100% cash-on-hand previously deterred long-only instiutional capital, limit the ability of indices replication | Circular 68/2024: Sucessfully allows FIIs to trade without full cash pre-funding, with over 50% of trades now use NPF<br>Circular 08/2026: Eliminated limits on NPF-eligible stock tickers |
| **Investor Registration & Account Opening** | Mandatory domestic account opening requires the approval of VSDC and lack of global broker connectivity | Circular 08: Streamlines omnibus account registration and facilitates global broker access |

[7] Refer to Law 76/2025/QH15

| | | |
|---|---|---|
| **Foreign Owership (FOL)** | Sensitive sectors (Banking, Logistics) remain capped at 30 – 49%, which affects more than 10% of the total<br>market capitalisation | Decree 245: Standardizes FOL reporting and prevents arbitrary cap lowing<br>2026 – 2027 Roadmap for ongoing review to increase maximum FOLs and remove unnecessary industry restrictions<br>The FOL in airlines is being proposed to increase from 34% to 49% |
| **Clearing and Settlement** | Lack of a CCP and overdraft facilities to manage settelement risk<br>Lack of penalty mechanisms or mandatory buy-in procedures could heighten operational risks | KRX System (active May 2025)<br>Decree 245 mandates the roadmap for implementing the CCP mechanism (targeted for Q1/2027)<br>Circular 08: First-time offenders face a NPF trading suspension of 7 consecutive days and up to 180 days for repeated violations (3 times within a 30-day window). Transaction failures are reported internally to regulators |
| **Information flow** | Severe lack of English fillings and IFRS implementation, especially mid-to-small cap issuers | Circular 68/2024: Large-cap firms (VN30/VN100) mandated to disclose in English by Jan 2025; all public firms by Jan 2028 (phase in)<br>Decision No. 345/QD-BTC of 2020: Roadmap for the implementation of IFRS standards[8] |
| **Foreign Exchange (FX) Market Liberality** | Circular 02/2021/TT-NHNN restricts FX hedging to Govt Bonds only, limited availability of onshore FX hedging tools for FIIs. | Decision 2014/QD-TTg[9]: Planned development of the FX market to allow official hedging instruments |
| **Corporate Governace & Transparency** | Information asymmetry and a lack of standardised ESG reporting<br>Lack disclosure of Ultimate Beneficial Owners (UBO). | VNCG Code 2026: aligned with G20/OECD principles using "Comply or Explain" mechanism and integrating core ESG standards[10]<br>Law No.76/2025/QH15: formal regime for identifying and dislosing the UBO of companies with legal personality |
| **Stock lending & Short selling** | Not allowed | Decision 2014/QD-TTg: Finalizing the technical framework to pilot controlled short selling (targeted for 2026) and the securities borrowing and lending (SBL) system between 2026 – 2028 |

Despite recent legislative amendments, some bottleneck persists:

- **Balance sheet constraints of Domestic Securities Firms:** The operational viability of the NPF model, which is considered to be a temporary solution replacing long-term CCP mechanism according to MSCI, is heavily contingent upon the financial strength of local securities companies. Currently, only approximately 10 top-tier firms (e.g., Vietcap, HSC, SSI) possess the requisite capital base to support NPF settlement, with an aggregate equity pool of roughly USD 5 billion. This existing capital capacity is deemed insufficient to absorb the anticipated settlement demands of global ETFs and active funds, whose entry could overwhelm the current domestic brokerage settlement buffers.
- **Legislative Hurdles to Foreign Ownership Liberalisation:** Removing FOLs requires multi-ministerial synchronisation and amendments to specialized laws across various sectors, extending beyond the financial industry alone. Consequently, achieving significant legislative breakthroughs remains a formidable challenge.

***Figure 14: Impact Assessment on Vietnam's Emerging Market Reclassification***

| Potential Benefits | Potential adverse consequences |
|---|---|
| • **The Professionalization of Retail Flows:** With more transparent infrastructure, domestic individual investors are expected to shift from direct trading to managed products. This transition provides a more stable, long-term capital and reduces the boom-and-bust cycles typical of frontier markets.<br>• **Increased Institutional Participation:** MSCI reclassification with a corresponding upgrade in market infrastructure and governance code will bring international governance standards and liquidity depth that incentivize a shift in mandates for pension funds and insurance towards higher stock and bond allocations.<br>• **Bid-Ask Spread Compression:** The entry of global market makers and institutional desks will naturally narrow spreads. This reduces "slippage" costs, significantly increasing market appeal for global funds; however, these improvements are primarily concentrated on VN30 and high free-float securities.<br>• **Higher pricing and Revaluation:** Foreign participation boosts valuations by reducing the cost of capital, increasing analyst | • **Volatility and Capital Flight risks:** While structural foreign inflows tied to index inclusion tend to be longer term and provide a stable floor, increased integration exposes the market to "hot money" and regional allocation shifts, risking sharp price gyrations during periods of global macro stress. Recent history shows that foreign investors in Vietnam have also sold down positions due to profit-taking and currency concerns, leading to temporary net outflows.<br>• **Crowding-out Domestic investors:** As foreign institutions focus on large-cap, high-liquidity stocks, domestic retail investors may be crowded out of those segments, pushing them toward less liquid mid and small caps markets that are inherently more volatile and less predictable. This could reduce the influence of domestic flows on key benchmark stocks, altering market dynamics.<br>• **Currency and Macro impacts:** Significant USD inflows can put upward pressure on VND, which challenges export competitiveness or hinder SBV's efforts to stabilize FX. |

[8] Refer to Decision No.345/QD-BTC
[9] Refer to Decision 2014/QD-TTg
[10] Refer to VNCG Code 2026

coverage, and creating buying pressure. This leads to higher earnings multiples and improved market visibility.

- **Liquidity:** If Vietnam is included in the MSCI Emerging Market Index, it will receive significant inflows from ETF funds, in addition to direct and indirect capital from foreign investors and index-tracking funds. This is expected to increase daily trading volumes and lead to more consistent turnover.
- **Overvaluation and asset bubble risks:** Upgrades often lead to anticipatory positioning buying by local investors. The VN-Index traded at a P/E of 16x in February 2026, slightly below its long-term average of 17x. If upgrade expectations cause a rapid appreciation in valuation to 19x-20x without corresponding earnings growth, this leaves the market vulnerable to sharp corrections if the upgrade timeline shifts or global sentiment sours.

## 1.2 Corporate bond market

***Figure 15: Outstanding corporate bond value***

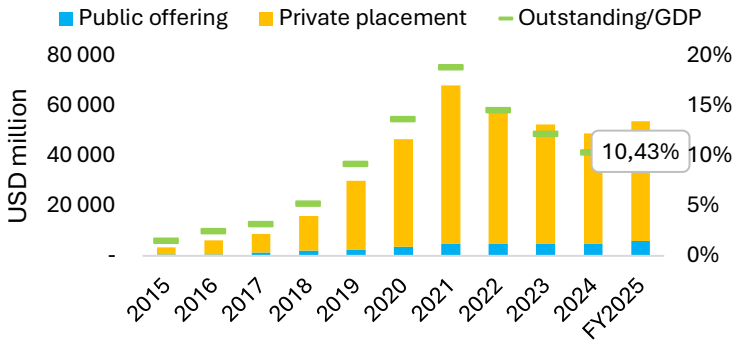



***Figure 16: Outstanding value by sector and their weights, by the end of 2025***

| Sector | USD bil | % |
|---|---|---|
| **Credit institutions** | 27.67 | 51.5% |
| **Real estate** | 15.50 | 28.9% |
| Manufacturing | 2.30 | 4.3% |
| Financial Services | 0.81 | 1.5% |
| Trade and Services | 1.28 | 2.4% |
| Energy | 1.44 | 2.7% |
| Others | 4.69 | 8.7% |
| **Total** | **53.69** | **100.0%** |

*Source: FiinPro, Cbond HNX*

The publicly offered corporate bond market remains modest in size, with credit institution bonds accounting for nearly 80% of issuance. These bonds typically have maturities of 5 years or more and are issued as subordinated instruments that qualify as Tier 2 capital, helping banks strengthen their Capital Adequacy Ratio (CAR) and meet liquidity requirements. In contrast, private placement is the dominant and accessible channel for Vietnamese firms, which mainly feature shorter maturities (1–3 years) and unsecured bonds.

This is largely due to the less strict issuance conditions under Decree 153/2020/ND-CP[11], where private bond issuers are not required to meet specific financial conditions, obtain credit ratings, or undergo appraisal and certification. Meanwhile, mandatory credit rating requirements with certain conditions and the stringent eligibility criteria regarding issuers are some of the hindering factors for public offerings. In addition, administrative bottlenecks in approval and licensing processes can discourage firms from pursuing public offerings.

Liquidity for listed public bonds remains low, even though trading activity improved noticeably in 2022 after all bonds were migrated from HoSE to HNX. The average daily trading value of public offerings is USD 15.5 million, with put-through trade making up 98.5% of turnover. This is more than 13 times below the daily trade value of registered private bonds on the HNX centralised trading system. Listed non-bank corporate bonds still exhibit shallow market depth and infrequent trading, reducing their appeal to investors seeking easy entry and exit.

***Figure 17: Listing and Delisting activities on Vietnam Corporate bond market***

| Year | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | FY2025 |
|---|---|---|---|---|---|---|---|---|
| **Listed public C-bond** | **0** | **22** | **21** | **36** | **59** | **68** | **68** | **89** |
| *Newly listed* | 0 | 38 | 9 | 37 | 32 | 30 | 29 | 35 |
| *Delisted* | 0 | -16 | -10 | -22 | -9 | -21 | -29 | -14 |
| **Registered private C-bond** | **0** | **0** | **0** | **0** | **0** | **847** | **1,168** | **1,304** |
| *Newly registered* | 0 | 0 | 0 | 0 | 0 | 871 | 580 | 491 |
| *De-registered* | 0 | 0 | 0 | 0 | 0 | -24 | -259 | -355 |

*Source: Cbond HNX, SSC. Note: Listed public corporate bonds refer to bonds that are officially listed and traded on the exchange (HNX). Registered private corporate bonds refer to bonds issued via private placement that are not listed but are registered for trading on Cbond HNX trading system under Decree 65/2022/ND-CP[12].*

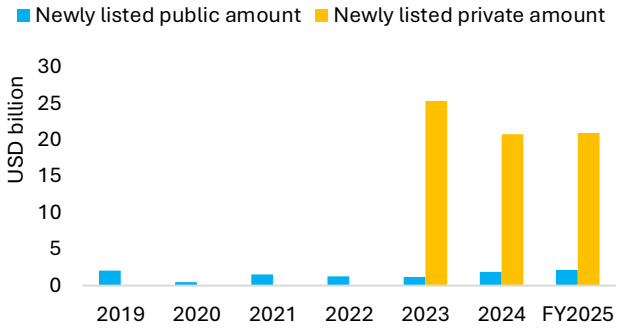
A similar situation occurred in listing activities, as the market continued to show a fragmented pattern of public bond listings. Meanwhile, the introduction of the centralised disclosure and trading system at HNX for privately placed bonds, along with the mandatory trading registration requirement under Decree 65/2022/ND-CP, has significantly boosted the trading registration of these instruments on the exchange in recent times.

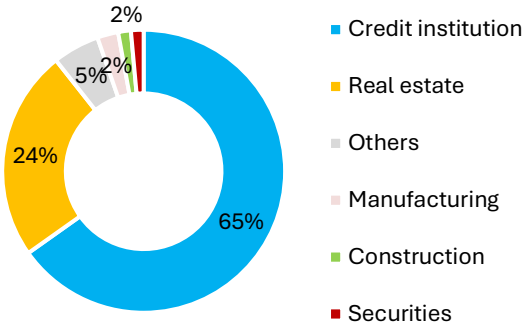
***Figure 18: Public Bonds and Private Bonds Outstanding Value on HNX***

***Figure 19: Corporate Bond Market: Outstanding Value by Sector, by the end of 2025***

[11] Refer to Decree 153/2020/ND-CP

[12] Refer to Decree 65/2022/ND-CP




*Source: FiinPro, Cbond HNX. Notes: Trading registration for privately placed corporate bonds has been required since 2023 (Decree 65/2022/ND-CP); prior issuances were not subject to exchange trading registration*

***Figure 20: Important recent regulations in the C-bond market***

| Regulation | Description | Assessment |
|---|---|---|
| **Decree 245/2025/ND-CP**[13] | • Expansion of professional investor definition to include foreign investors<br>• All public bond issuances-regardless of size-must now carry a credit rating at either the issuer or bond level, unless exempted by credit institution status or full guarantees.<br>• The total liabilities over equity ratio of issuers must not exceed 5 times, excluding SOEs, real estate project companies and credit and other financial institutions,<br>• Expands the entities eligible to provide guarantees beyond local credit institutions and foreign bank branches to international DFIs/MDBs. | • Strengthens market discipline and mitigates risks for investors with the mandatory credit rating requirement for public bonds.<br>• Allows foreign investors to access investment opportunities that were previously restricted to domestic institutions and high-net-worth individuals, notably the private placement of shares.<br>• As international financial organizations, the DFIs are authorized to act as a guarantor/credit enhancer, leveraging its strong credit rating to de-risk corporate bonds and mobilize private debt into its priority sectors. This is a crucial function for blended finance. |
| **Decree 65/2022 & Circular 30/2023/TT-BTC**[14] | • All privately placed corporate bonds must be centrally registered and traded on the HNX system.<br>• Mandatory semi-annual reports on the use of bond proceeds<br>• Stricter criteria for professional securities investors (who are the only permitted buyers) | • This replaces the illiquid OTC market, a DFI/MDB can now reliably sell its debt instrument in a central, transparent marketplace. DFI/MDB have the assurance that their co-investors and exit buyers are financially qualified institutional players |
| **Decree 200/2026/ND-CP**[15] | • Individual professional investors may only buy C-bonds if bonds are either credit-rated and secured or credit-rated and guaranteed.<br>• Non-public issuers must keep total debts no more than 5 times of their equity, excluding financial institutions, project companies, etc.<br>• Proceeds from bond issuance must be tracked separately and used for the approved purpose only.<br>• Changes in the use of proceed may be changed with more than 65% bondholder consent.<br>• Offshore issuance moves from ex-ante approval to registration-based regime; alignment of use-of-proceeds and repayment disclosure with domestic rules | • Improves individual investor protection and market credibility.<br>• Strengthens issuer quality by screening out highly leveraged issuers.<br>• Avoids misuse of funds, strengthens discipline and transparency in the use of bond proceeds<br>• Balances issuer flexibility with stronger bondholder governance<br>• Lowers administrative friction execution risk in international bond issuances; facilitates access to international capital markets while maintaining disclosure discipline. |

## 1.3 Other listed instruments

Established in 2017, Vietnam's derivative securities market has grown significantly in size and liquidity. However, liquidity is almost entirely concentrated in the VN30 futures contract, which represents about 80% of market capitalisation and 60% of trading value, while other products like the 5-year and 10-year government bond futures have seen minimal interest. This concentration on a small group of top-tier stocks in VN30 causes abnormal market fluctuations, limiting risk-hedging options and narrowing the scope for diverse trading strategies, particularly for professional financial institutions.

***Figure 21: Overview of Derivatives market***

| Liquidity | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 9M2025 |
|---|---|---|---|---|---|---|---|---|---|
| **Future contract** | | | | | | | | | |
| Open interest (thou) | 8.08 | 21.65 | 16.63 | 40.34 | 63.32 | 49.99 | 56.94 | 45.33 | 35.30 |
| Trading value | 41.84 | 323.21 | 338.93 | 553.33 | 1,141.43 | 1,393.51 | 1,091.61 | 1,058.96 | 1,317.54 |

[13] Refer to Decree 245/2025/ND-CP

[14] Refer to Decree 65/2022 and Circular 30/2023/TT-BTC

[15] Refer to Decree 200/2026/ND-CP

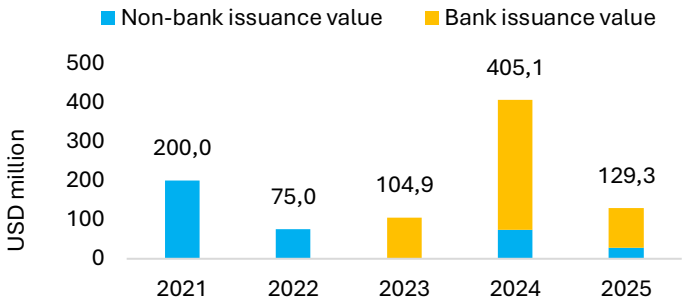
| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| per session (USD mil) | | | | | | | | | |
| *Change in year (%)* | | *621%* | *13%* | *79%* | *19%* | *44%* | *-14%* | *-10%* | *8%* |
| **Covered Warrant** | | | | | | | | | |
| CW issued | 0 | 0 | 40 | 118 | 113 | 99 | 229 | 114 | 283 |
| Trading value per sesion (USD mil) | 0 | 0 | 0.31 | 0.93 | 3.09 | 0.90 | 1.20 | 1.64 | 3.01 |
| *Change in year (%)* | | | | *312%* | *81%* | *52%* | *1%* | *52%* | *13%* |

*Source: FiinPro, SSC*

To solve these issues, Vietnam has debut the VN100 Index Futures Contract in Q4 2025 as the second equity index-based derivative product and introduced a roadmap for product development on the stock market. This includes the launch of the KRX trading platform on May 5, 2025, which addresses several bottlenecks and expands derivative products available to investors with these new features: (i) Same-day trading (T+0) and short selling; (ii) Faster settlement processing; and (iii) Support for options contracts and CCP clearing.

## 1.4 Trends in Sustainable Finance

***Figure 22: GSS+ bond issuance in Vietnam***




*Source: FiinRatings, issuers' public announcements*
*Note: Data includes only domestic bond issuances*

From 2016 to FY2025, the green, social, and sustainable bond issuances in Vietnam totaled over USD 1.64 billion. In 2024 alone, the market saw a resurgence with a total issuance value of over USD 405.1 million, accounting for 2.16% of the total value of that year issuances. Despite increasing participation from companies across a range of sectors - including renewable energy, sustainable fisheries, and infrastructure, the market remains concentrated in the banking sector.

At present, sustainable finance practices in Vietnam remain largely voluntary, with issuances primarily aligned with ICMA principles and, to a lesser extent, CBI standards. Although a national green taxonomy has been introduced, detailed guidance for green bonds and green credit remains limited, leading issuers to rely on international frameworks. The government has also introduced a 2% interest rate support mechanism for ESG-related projects, which is expected to be applied initially through green loans rather than bonds, reinforcing the bank-led nature of the market. The State Bank of Vietnam is currently in process of public consultation for a decree regulation for the implementation of the 2% interest rate subsidy programme.

Against this backdrop, non-bank issuers are beginning to formalise their sustainability credentials through developing green/sustainability bond frameworks and the adoption of external reviews such as Second-party Opinions (SPOs). Recent examples of SPO-supported issuance include:

- International Development and Investment Corporation (I.D.I)'s USD 40 million green bond (2024) illustrates the use of a Second-Party Opinion by FiinRatings to confirm alignment with the ICMA Green Bond Principles, with proceeds earmarked for sustainable aquaculture activities.
- Hoa Binh–Xuan Mai Water's USD 34.5 million green bond (2024) demonstrates SPO-backed issuance for long-term financing of sustainable water supply, wastewater management, energy-efficient infrastructure.

This reflects the growing trend of "greening" within the Vietnamese business community, although it still remains relatively modest compared to the size of the bond market (estimated to account for only 1.8%).

# II. Investor landscape:

## 2.1 Investor composition

**Key Messages**

**Retail Dominance and Foreign Withdrawal**

Vietnam's equity market has undergone a structural shift since 2021, with domestic retail investors emerging as the dominant trading force following prolonged low interest rates and rapid digitalisation of brokerage access. While retail flows have cushioned the market against sustained foreign net selling, this reliance introduces persistent sentiment-driven volatility. The resulting market microstructure, short-term and speculative in nature, places the burden of price stability increasingly on domestic institutional investors who remain underpowered relative to their potential.

**Institutional capital is large but structurally sidelined**

Vietnam's institutional investor base, spanning commercial banks, issuers, securities companies, and investment funds, represents a substantial but largely inactive pool of equity and corporate bond capital. Conservative mandates, prudential constraints, and limited safe long-dated instruments funnel most of this capital into government bonds and bank deposits. This dynamic suppresses institutional depth in both equity and c-bond markets, leaving Vietnam's capital markets disproportionately dependent on retail sentiment and foreign portfolio flows.

**Key Drivers and Barriers to Investor Demand**

The FTSE Secondary Emerging Market update and planned VIFC are meaningful sentiment catalysts for institutional inflows. However, key barriers persist as FOLs of 30-49% in core sectors reduce investability, short-tenor FX hedging instruments (< 3 years) exclude foreign participation in long-dated bonds without full guarantees, limited credit ratings restrict portfolio-level allocation, and the absence of a robust yield curve and probability-of-default database reinforces information asymmetry for offshore investors.

***Figure 23: Ownership structure on Vietnam stock market, FY2025***

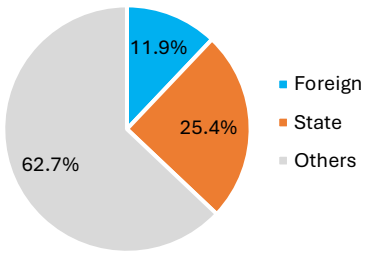
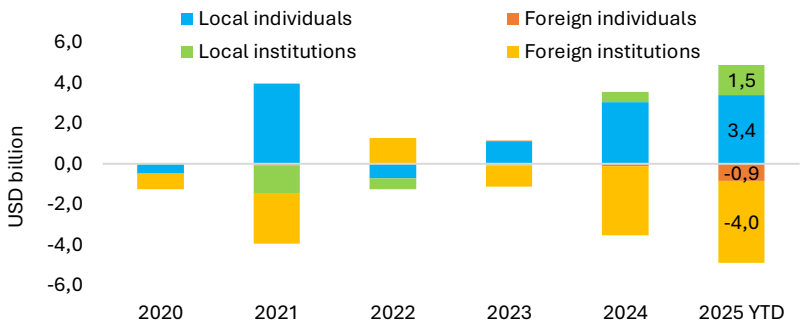



***Figure 24: Net trading value on HoSE by type of investors***

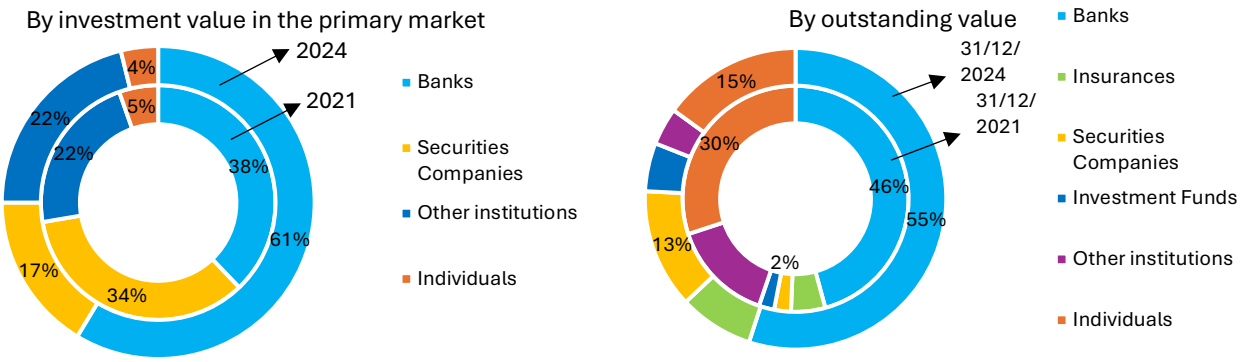



*Source: FiinProX. Note: Ownership data are calculated based on outstanding shares on HoSE, HNX and UPCoM.*

Since 2021, the Vietnamese stock market has undergone a profound shift in its investor composition, marked by the ascendance of domestic retail investors as the dominant market force. The COVID-19 pandemic and its economic disruptions led to a prolonged period of low interest rates, sharply reducing the attractiveness of the traditional savings channel and encouraging retail investors to engage more actively in equities. Furthermore, mobility restrictions and digital transformation accelerated the adoption of online trading platforms, making market participation more accessible than ever. Conversely, foreign investors have experienced a sustained net withdrawal from Vietnam's stock market in recent years. Their net selling value has accelerated to USD 4.9 billion so far in 2025. This trend reflects global capital realignment amid rising global interest rates, a stronger U.S. dollar, and risk reassessments toward emerging markets.

The resulting surge in retail activity has supported market liquidity and momentum, cushioning the market against external shocks and periods of foreign capital withdrawal. However, it has also increased the market's sensitivity to sentiment-driven volatility, as short-term speculative behavior tends to outweigh fundamentals during periods of rapid inflow or correction.

**Figure 25: Investor composition in the privately placed C-bond market in Vietnam**




*Source: Ministry of Finance*

While the public offering market mainly consists of bank bonds with the investors also being banks and other financial institutions, the investor structure of the private placement is more diverse.

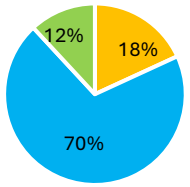
The modest presence of retail investors in the primary market is because issuances are large-scale and sold in block lots, and only individuals who meet the legal criteria for "professional investors" may participate. That design channelises new supply to institutions that can absorb large tickets, leaving individual investors to the secondary market where they buy smaller parcels through securities firms. Retail participation in the secondary market has also contracted sharply in recent years, largely due to the erosion of investor confidence following the fraudulent bond issuances in 2022. Despite that, individuals' bond holdings are still concentrated in real estate bonds-around 41 % of all outstanding real estate corporate bonds as of end-2023, while they only held 3% of outstanding FI bonds.

Meanwhile, credit institutions have consolidated their dominance in both bond investments and holdings. Banks purchase bonds not only for investment returns but also to manage liquidity and meet prudential requirements. Securities companies, by contrast, play a hybrid role: they are active buyers in the primary market but hold smaller shares of bonds over time, as their main function is to underwrite and distribute these instruments to end investors. Since 2022, however, their distribution activity has declined markedly amid regulatory tightening and reputational risks.

Participation of other institutional investors in the C-bond market remains limited due to regulatory constraints, while foreign ones are nearly absent in the market.

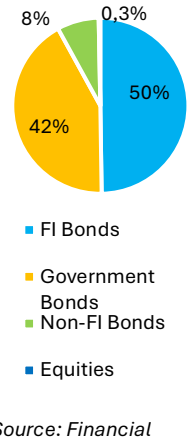
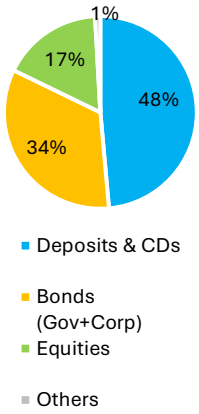
## 2.2 Institutional Investor Profile

While investment funds actively participate in the listed equity markets, investment portfolios of other local institutions (banks, securities companies, insurance companies and Social Insurance) are more focused on safer asset classes, reflecting their conservative risk appetite and prudential constraints imposed on them. However, it implies a large potential for increasing institutional investor ownership in both equity and C-bond markets.

| Type of Institutions | Overview | Size | Investment Allocation | Investment Mandate & Risk Appetite | Prudential Constraints | Capacity to Access & Execute |
|---|---|---|---|---|---|---|
| **Investment funds** | **124 investment funds *licensed by SSC managed by 47 fund management companies*** *(as of 30 Sep 2025):*<br>• 89 public funds<br>  ○ 68 open-ended funds<br>  ○ 3 closed-end funds<br>  ○ 17 ETFs<br>  ○ 1 real estate investment fund<br>• 35 member funds<br>However, based on our database, only **80 local investment funds are active**.<br>*(Please refer to Appendix 3 for Profiles of Top 10 fund managers in Vietnam)* | **Total AUM:** USD30.3 billion<br>**Total NAV:** USD13.1 billion<br>NAV of domestic funds: USD5.6 billion<br>NAV of foreign funds[16]: USD7.5 billion<br>*(as of 30 Sep 2025)* | <br>*Source: Investment fund reports as of 30 Sep 2025* | Out of 80 active funds:<br>• 51 are equity funds with exposure to the public equity markets. The sectors of focus (as of 30 Sep 2025) are Banking and Financial services (~35% of the total NAV), Real estate (17%), Retail (6%), Natural Resources (6%), etc.<br>• 19 are bond funds, which devote at least 80% of their NAVs to fixed-income securities, aiming for principal preservation but earning more moderate return than equity funds.<br>• The rest are balanced funds with more flexible allocations on both bonds and equities, allowing the investors to participate in equity upside while limiting overall portfolio volatility. | **Specifically for open-ended funds:**[17]<br>• Not invest over 20% of the total assets in "unlisted" securities, including<br>  ○ Privately placed shares by listed entities<br>  ○ Private C-bonds issued by listed companies with payment guarantees<br>  ○ Private C-bonds issued by listed companies with redemption commitment within 12 months and with the redemption value of at least 30% or with the issuer's commitment to repurchase at least 30%.<br>  ○ Private C-bonds issued by listed companies with remaining maturity of 12 months or less.<br>  ○ Private C-bonds issued by the listed companies where the bonds or the issuer is credit rated at least BB+ (by S&P Global or equivalent) or at least AA- by local credit rating agencies.<br>Funds are not allowed to invest in other private C-bonds.<br>• Derivatives are purchased for risk management purposes only.<br>**Specifically for close-ended funds:**<br>• Not invest over 10% of a fund's total assets in unlisted bonds and shares in JSCs and limited liability companies.<br>**Taxation:** Fund management companies are not granted preferential tax treatment, still being taxed at the standard 20% corporate income tax rate. For investors, taxes on dividends, bond interest, and | • Fund managers in Vietnam have in-house research teams, local market knowledge and track records in equity analysis; therefore, they can perform company financial analysis, sector research and portfolio construction at a professional level.<br>• The recent amendments of Circular 98/2020 significantly diversifies fund ecosystem and expand their investable asset classes:<br>  ○ Introduces Infrastructure and Money market funds.<br>  ○ IPO shares and public bonds are treated as "listed" securities, thus are not subject to investment cap on "unlisted" securities for open-ended funds<br>  ○ Allows open-ended funds to invest in private C-bonds by listed issuers rated at least BB+ or equivalent.<br>  ○ The investment cap of "unlisted" securities increases from 10% to 20% of the total assets.<br>• In August 2025, 2 new indices (VN50 Growth and VNMITECH) were announced by HoSE; therefore, establishment of more ETFs is expected. HoSE is also developing an **ESG Index** with a targeted launch in Q2 2026. |

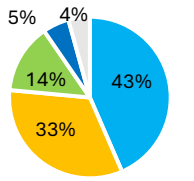
[16] Foreign investors' funds managed by local fund management companies, not including offshore funds

[17] Circular 98/2020/TT-BTC providing guidance on operation and management of securities investment funds, amended by Circular 136/2025/TT-BTC

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | capital gains are the same as for direct investment.<br>**Distribution:** The SBV prohibits commercial banks from cross-selling fund certificates. Banks can only distribute through their securities company subsidiaries; however, the main customer base still sits within the bank. | |
| **Commercial banks** | • 1 100% state-owned bank<br>• 34 joint-stock banks<br>• 9 foreign banks<br>• 2 joint venture banks | **Outstanding value of Investment securities:** USD86 billion<br>*(data from 30 commercial banks as of 30 Jun 2025)* | <br>*Source: Financial statements of 30 banks as of 30 Jun 2025* | Vietnamese commercial banks maintain limited exposure to equities and corporate bonds due to credit growth limits (for C-bonds) and prudential capital requirements. Their investment portfolios are instead concentrated in G-bonds and FI bonds, which are low-risk and liquid. This structure reflects both regulatory prudence and liquidity management priorities within the banking sector.<br>However, **Decision 3168/QD-BTC on the Scheme for Restructuring the Investor Base ("Decision 3168")** encourages commercial banks to invest in fund certificates and corporate bonds issued for debt restructuring purposes during the 2026–2030 period. | • The SBV assigns annual credit growth limits to commercial banks, under which outstanding investments in corporate non-FI bonds are counted as part of total credit exposure.<br>• A liquidity ratio of at least 10% must be always maintained by commercial banks. Cash, current deposits, G-bonds, etc. are counted as liquid assets.[18]<br>• All investment exposures are subject to credit risk weightings for the purpose of calculating CAR. Under current regulations, commercial banks are required to maintain a minimum CAR of 8%. | • Banks maintain in-house credit appraisal and risk management units. They have established procedures to thoroughly assess corporate creditworthiness, apply risk management measures and quantify the impact to the banks' prudential thresholds.<br>• Banks actively participate in the interbank transactions for FI and G-bonds.<br>• Large banks can underwrite and absorb sizeable C-bonds placements because (a) they have corporate client pipelines (deal flow), (b) interbank / dealer networks to syndicate or sell down exposure, and (c) internal credit processes to price and structure deals. |
| **Securities companies** | **81 securities companies**<br>A securities company is licensed to perform some or all of the following:<br>• Securities brokerage<br>• Proprietary trading<br>• Securities underwriting<br>• Securities investment consulting | **Outstanding value of investment securities:** USD12.4 billion<br>*(data from 81 securities companies as of 30 Jun 2025)* |  | • Firms with a higher risk tolerance tend to allocate more capital to proprietary trading in C-bonds, equities and derivatives, leveraging potentially higher returns. In contrast, brokerages with more conservative postures lean towards low-risk assets such as G-bonds, bank deposits and certificates of deposits.<br>• Regulatory constraints limit the companies' investments into higher-risk asset classes. Also, given their limited equity size and the robust growth of Vietnamese stock market, they | • Total investment in corporate bonds by a securities company does not exceed 70% of its equity.[19]<br>• A securities company is not allowed:<br>  ○ To hold over 20% of total outstanding shares of a listed entity and over 15% of an unlisted entity.<br>  ○ To invest more than 70% of its equity in stocks, including more than 20% in unlisted stocks.<br>• Financial assets are subject to risk-weighting when calculating the capital adequacy ratio. However, under the newly issued Circular 102/2025/TT-BTC, credit rating results are used to calculate asset risk weights for | • Securities companies must meet license, capital and infrastructure requirements: only firms with sufficient capital, experienced personnel and clearing/settlement infrastructure can actively underwrite and trade.<br>• Most major securities firms have built up in-house research teams that produce market, sector, and company analyses to support both client investment advisory services and their own proprietary trading. These research departments provide regular reports on macroeconomic trends, equity valuations, bond yield movements, and credit conditions. |

[18] Circular 22/2019/TT-NHNN on Limits and Prudential Ratios of Banks & Foreign Bank Branches

[19] Circular 121/2020/TT-BTC Prescribing Operation of Securities Companies

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | *Source: Financial statements of 81 securities companies as of 30 Jun 2025* | tend to prioritise the margin lending business which offers steady fee income. | securities companies. This moves regulatory oversight toward a **risk-based capital framework** paves the way for removing the current caps on investment ratios. | |
| **Insurance companies** | **85 insurance companies:**<br>• 31 non-life insurance companies<br>• 19 life insurance companies<br>• 2 reinsurance companies<br>• 32 insurance brokerage firms<br>• 1 branch of a foreign non-life insurance company | USD38 billion<br>*(total assets of the insurance sector as of 31 Dec 2024)* | <br>*Source: Department of the Insurance Supervisory Authority as of 31 Dec 2024* | That conservative posture is supported by both regulation and market structure. Vietnamese insurance law set limits and prudential rules, while the still-developing C-bond and equity markets limit safe, long-dated alternatives for asset–liability matching.<br>As a result, insurers show only limited direct exposure to C-bonds and equities - although market participants note growing interest in higher-quality corporate bonds to diversify yield and secure longer maturities for ALM purposes. | Insurers must not:[20]<br>• Use borrowed funds for investment in securities, real estate businesses and contribution of capital to other enterprises.<br>• Invest over 30% of the portfolio in a group of companies having ownership relationships.<br>• Invest in C-bonds whose purpose is to restructure existing debts of the issuer.<br>• Invest in derivatives, except for risk management purpose.<br>However, **Decision 3168** permits insurers to buy corporate bonds issued for the purpose of restructuring debts to be effective around 2026-2027. | • Insurance companies have strong capacity in G-bonds and deposits, which they routinely execute. Their execution in equity markets is more moderate due to their conservative asset-liability mandate.<br>• Insurance-linked fund management firms enhance execution capacity and portfolio diversification of insurers. These entities provide professional asset management expertise and access to a wider range of financial products while helping insurers remain compliant with regulatory limits. |
| **Vietnam Social Security (VSS)** [21] | The country's compulsory social protection system covering pensions, sickness, maternity, work accidents, health insurance, and unemployment insurance for employees. Currently, about 40.8% of Vietnam's workforce is covered by the social insurance. | USD47 billion<br>*(total assets as of 31 Dec 2024)* | Mainly G-bonds and government-guaranteed bonds, the rest are State Treasury instrument, deposits in state-owned or majority-state banks | VSS operates under a conservative investment mandate. By Law, it must prioritise capital preservation, liquidity and long-term stability. Therefore, the portfolio is concentrated in government debt securities and deposits at state-owned banks, reflecting very low risk appetite. | • The investment portfolio shall not be extended beyond G-bonds, government-guaranteed bonds, State Treasury instruments, deposits and debt securities issued by state-owned and majority-state commercial banks. [22]<br>• Investment in international markets shall be G-bonds. | • The capacity to access and execute debt instruments, specifically G-bonds and treasury bills, is high thanks to strong government coordination and a predictable investment process.<br>• The capacity in equity or non-sovereign corporate bonds is minimal both by regulation and risk appetite, as it focuses on capital preservation and long-term liability matching. |

[20] Law No.08/2022/QH15 on Insurance Business

[21] Besides VSS, Vietnam has fewer than 10 voluntary pension funds, all of which remain very small in scale and have yet to attract meaningful interest, largely due to an incomplete legal framework that is still in the process of being developed.

[22] Law No.41/2024/QH15 Social Insurance Law

### 2.3 Assessment of factors influencing investor demand and confidence:

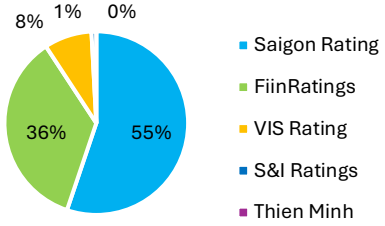
The market drivers and barriers outlined below are synthesized from our interviews with institutional investors, as well as from our contributions to policy development in collaboration with relevant government authorities:

| | Drivers | Barriers |
|---|---|---|
| **Market Sentiment** | • **Vietnam's recent upgrade to Secondary Emerging Market status:** the reclassification reflects meaningful progress in market infrastructure, regulatory frameworks and corporate transparency, thus will be a major boost to institutional investor sentiment.<br>• **The Government's push to build international financial centres (IFCs) in Ho Chi Minh City and Da Nang:** For institutional investors, the establishment of these IFCs signals a long-term commitment by Vietnam to become a globally connected financial centre, which could drive greater international capital inflows and provide more sophisticated financial infrastructure. | • **Vietnam's equity market remains heavily retail-driven**, contributing to sharp price swings and periodic liquidity imbalances that institutions must price into their strategies. Sentiment can deteriorate quickly during periods of regulatory uncertainty or global risk aversion.<br>• **Global brokers still face technical or procedural barriers** when operating in Vietnam, which reduces the market's accessibility compared to other emerging markets.<br>• **Lack of sufficiently long-tenor FX hedging instruments:** banks typically offer hedging with maturities of no more than three years. Such tenors are inadequate for long-dated fixed-income instruments such as bonds. As a result, participation is largely limited to domestic investors, with only limited involvement from offshore investors, typically requiring full and irrevocable guarantees from highly rated institutions such as GuarantCo (PIDG) and CGIF (ADB). |
| **Regulatory environment** | • **Investment funds are positive about the upcoming reforms** to broaden the investment fund framework, including the introduction of infrastructure-related fund vehicles and amendments to expand the investable universe by investment funds.<br>• **Other forthcoming measures under Decision 3168** are expected by institutional investors to ease existing investment limits for them, thereby enhancing their capacity to participate in capital markets.<br>• **A draft Decree has been released on supplementary retirement insurance,** that is expected to create a market for pension funds in Vietnam. | • **FOLs in key sectors** (30% for banks and 49% for other conditional business sectors) reduces the attractiveness of Vietnam stock market.<br>• Investment restrictions and other limits of the investment fund sector in Vietnam **constrain the fund-of-funds structures**, thereby hindering foreign investors' ability to enter the Vietnamese market through diversified vehicles. |
| **Information availability** | • **Disclosures by large-cap companies and state-owned enterprises** have improved.<br>• **Increasing coverage by research houses and broader use of English-language reporting by listed firms** have also improved information access for foreign institutions. | • **The limited availability of domestic and international credit ratings** means foreign investors can typically only participate on a deal-by-deal basis, rather than through portfolio allocation strategies.<br>• **The G-bond market has not yet functioned as a fully effective and internationally integrated benchmark yield curve**. Corporate bond pricing therefore relies heavily on references to 12-month deposit rates at major banks, which are volatile.<br>• **Lack of a comprehensive and reliable probability-of-default (PD) database** constrains accurate pricing and robust risk management, reinforcing foreign investors' perception of information asymmetry. |

## III. Intermediaries & Market Infrastructure

Vietnamese underwriters and investment banks serving institutional clients have developed strong capabilities in corporate access, deal structuring, and distribution, particularly among the top-tier securities firms. The leading houses (VCI, SSI and HSC) demonstrate solid expertise across equity raising, supported by strong research teams and issuer relationships that enable large block transactions. Compared with more mature ASEAN markets such as Malaysia and Thailand, the top Vietnamese firms are broadly comparable in execution quality, though their ability to deploy innovative or complex structures remains constrained by the market conditions and regulatory limitations rather than technical capacity.

| Institutions | Overview | Competitive Landscape | Capacity & Expertise | Constraints |
|---|---|---|---|---|
| ***Intermediaries*** | | | | |
| **Brokers** | **74 securities companies** are licensed to deliver brokerage services.<br>The brokerage services include:<br>• Distribute securities<br>• Manage securities trading accounts<br>• Provide online securities trading services<br>• Provide or cooperate with credit institutions to provide loans/advance payments for purchase of securities | • The brokerage market is concentrated with over 70% of market share of top 10 securities companies. In the foreign institutional segment, Vietcap, SSI and HSC hold the largest market share (together over 70%) thanks to their strong sales team, wide global networks and extensive experience of working with foreign investors.<br>• The scale also allows these firms to combine research, investment banking, and advisory capabilities under one roof. This enables them to cross-sell services-offering underwriting or capital-raising advice and then converting that into brokerage business, or using research insights to drive more trading activity. *(Please refer to Appendix 4 for Profiles of Top 3 institutional brokers/investment bankers).* | • Corporate access services to institutional investors include arranging meetings with company management teams, organising site visits, hosting investor conferences, and facilitating small-group discussions or webinars with listed companies. Large-scaled investor roadshow events are also organized by brokerage firms for high-valued IPOs.<br>• Besides the top Vietnamese brokerage firms, foreign-invested securities companies (e.g. Mirae Asset Securities, Maybank Securities) are playing more important role as gateways for foreign capital. Backed by foreign parents in terms of financial and technical support, they have international expertise and established networks of overseas clients. | • Regarding the corporate access services, the overall level of sophistication remains moderate compared with developed markets. In Vietnam, investor conferences and non-deal roadshows are run at a smaller scale and on a more ad-hoc basis. The breadth of coverage for mid-cap and small-cap companies is also limited.<br>• The absence of short-selling, limited derivatives infrastructure and lack of several investment vehicles (e.g. commodities, REITS) reduce product diversity and brokerage fee opportunities.<br>• Given the modest capital base of majority of securities companies, regulations on margin lending (the outstanding value cannot exceed 2 times of the company's equity) restrict their ability to support large institutional trades. |
| **Underwriters/Investment bankers** | Securities granted an underwriting license can provide the following services:<br>• Securities underwriting<br>• Consultancy on offering, listing and registration of securities<br>• Agency for securities depository, payment and transfer<br>• Consultancy on equitization, restructuring and M&A | • Equity market: The past IPO deals show active participation of institutional-focused brokers, including HSC, SSI and Vietcap. With the diversified services for institutions, they are well-positioned to perform a significant role in capital raising, underwriting and large-scaled offerings.<br>• C-bond market: Top 3 underwriters with the largest marker shares are Techcombank Securities (TCBS), Saigon-Hanoi Securities (SHS) and BIDV Securities (BSC). Their affiliation with large banks provides a steady, high-quality deal pipeline and allows them to dominate market share. | • Vietnamese underwriters in both the equity and bond markets offer a fairly comprehensive suite of capital-market services-underwriting, listing/issuance advisory, book-building support, due diligence coordination and deal structuring.<br>• The capabilities remain concentrated in a handful of top firms. The bookbuilding and disclosure quality generally meets regional standards with solid analytical depth on both issuers and the offered instruments.<br>• Mid-tier and smaller firms often provide issuance consultancy and brokerage-led distribution rather than full IB services. | • Limited scale and maturity of Vietnam's capital markets restrict deal flow, especially for large or complex transactions.<br>In the bond market, the past corporate bond scandals have made issuance processes more stringent, reducing supply and making deal execution more uncertain. These market conditions make it difficult for investment bankers to build a steady pipeline and to specialize in more sophisticated products or sector-focused advisory.<br>• Capability is uneven among securities firms. Many firms operate with thin capital bases, limiting their ability to take underwriting risk. |
| **Research providers** | Securities and fund management companies are licensed to provide investment consulting services, which include provision of securities analysis reports and recommendations to buy, sell or hold them. | • Securities companies are the dominant public-facing research providers, since they serve a wide client base. They are dominant and trusted thanks to (1) wide client networks, which allow their research to reach a large investor base (2) their strong capital base allows them to maintain sizeable analyst teams and formal research departments<br>• Independent research houses/data providers (e.g. FiinPro under FiinGroup) produce macro-level and sector-level research reports which are not for buy/sell recommendation purpose. Meanwhile, research by fund management companies is mostly internal, proprietary and investment-driven. | • Large securities firms provide high-quality in-depth reports, earnings models, sector and macro commentary, IPO forecasts, and regular market updates.<br>• Research teams of securities company have access to real-time market data (provided by data platforms such as FiinPro); therefore, can deliver timely updates and recommendations for their clients. | • The share of companies providing disclosures in English remains limited, although it has improved in response to emerging market (EM) upgrade requirements.<br>• Analyst coverage of listed companies is low: fewer than 20% of firms are covered on a regular basis, mainly large-cap companies that attract institutional investor interest.<br>• IFRS adoption is not yet mandatory, except for a few large banks that apply it voluntarily or at the request of creditors. Financial reporting quality therefore remains uneven, |

| | | | | |
|---|---|---|---|---|
| **Credit rating agencies ("CRAs")** | The credit rating license granted by the MoF under Decree 88/2014 allows CRAs to deliver:<br>• Credit rating of issuers<br>• Credit rating of debt instruments<br>Some CRAs also provide other services:<br>• Credit monitoring<br>• Company and sector credit research<br>• Sustainable finance services (Second-party opinions, ESG assessments, etc) | **Market share of CRAs by number of published rating results**<br><br>• Only 5 firms have been granted credit rating licenses by the MoF under Decree 88/2014, being official licensed is itself a barrier to entry.<br>• Top-tier agencies with pioneer market positions, strong brand names and track records (e.g. FiinRatings, Saigon Ratings) dominate the market. | • Some local CRAs has strategic partnerships with foreign CRAs (e.g. FiinRatings with S&P Global, VIS Rating with Moody's), which support them with methodology, training and best-practice guidance. This serves as a foundation for their global-standard analytical frameworks and rating processes.<br>• The broad suite of services offered by CRAs strengthens issuers' ability to mobilise capital. For example, C-bonds that are simultaneously credit-rated and verified as green attract stronger interest from institutional investors.<br>• The new requirement for mandatory credit ratings for publicly offered C-bonds expands the addressable market for CRAs by shifting credit ratings from an optional good-to-have to a compliance requirement for issuers. | • Underdeveloped credit rating culture: A credit rating culture has yet to take hold, and the regulatory framework does not mandate ratings for all issuers or bond issues. As a result, demand for ratings remains low, leading to limited rating coverage across debt instruments.<br>• Fragmented domestic CRA landscape: Vietnam has a relatively large number of domestic credit rating agencies (five) despite the small size of its market. This encourages "rating shopping," where issuers only disclose ratings when they achieve favorable outcomes.<br>• Point-in-time ratings: Current regulations require ratings only at issuance rather than throughout the life of the debt instruments. This reduces transparency and limits the usefulness of ratings for post-issuance asset allocation and secondary market investment decisions. |
| ***Market infrastructure*** | | | | |
| **Trading platform** | Stock exchanges:<br>• Ho Chi Minh Stock Exchange ("HoSE")<br>• Hanoi Stock Exchange ("HNX")<br>• Unlisted Public Company Market ("UPCoM")<br>Retail and institutional investors primarily trade through online platforms of securities firms which route client orders into the exchanges' core trading systems. | • Roles of the exchanges are defined administratively. While HoSE dominates equity trading, hosting most large-cap and high-quality stocks, HNX plays a complementary role in hosting smaller-cap equities, bonds and derivatives.<br>Meanwhile, UPCoM serves as a transitional or lower-tier venue for public companies that have not yet met listing standards, with significantly lower liquidity and looser requirements.<br>• Under the Government's restructuring plan, all equity listings from HNX and UPCoM will be transferred to HoSE by 2026, while HNX will focus on fixed-income and derivatives markets. | • The high level of turnover places Vietnam among the most actively traded markets in the region and demonstrates the exchanges' ability to accommodate large transaction volumes including institutional-scale orders, without overwhelming the system.<br>• The implementation and refinement of the **KRX trading system** in May 2025, which is able to handle 4.5 million orders per day, has improved overall market handling capability, particularly during high-volume sessions.<br>• In the near future, the system is intended to support new trading capabilities and products: same-day settlement and trading (T+0), covered short-selling and more complex instruments. | • Recent trading volumes already consume a large share of system capacity - in some high-volume sessions, orders on HoSE and HNX reportedly reached over 70% of system limits, suggesting that further scaling might be required as activity increases.<br>• Full functionality (e.g.T+0/T+1 settlement options, short-selling mechanisms) has not yet been fully rolled out, limiting Vietnam's ability to adopt more advanced market features common in other emerging markets.<br>• Fragmented market structure across HoSE, HNX and UPCoM creates complexity for issuers and investors, spreads liquidity thinly, and complicates index development and market integration. |
| **Settlement systems** | Vietnam's securities settlement system is operated on a centralised, fully dematerialized model led by the Vietnam Securities Depository and Clearing Corporation (VSDC).<br>VSDC is responsible for registration, custody, clearing, and settlement of all securities transactions executed on HoSE and HNX. | Highly concentrated around VSDC, the single state-anchored operator. | • VSDC operates its Delivery versus Payment (DvP) system for listed equities using the BIS model 3 structure, where securities and funds are settled on a net basis, with final transfers occurring at the end of the processing cycle. The settlement cycle for equities is T+2, while for G-bonds is T+1.<br>• VSDC is building a **Straight-Through Processing (STP)** platform to enable fully automated interactions between global custodian banks and domestic securities firms, replacing manual processes. VSDC also aims to complete a **CCP** system by early 2027 to strengthen post-trade risk management. | • High trading volumes - driven largely by retail investors - place pressure on VSDC's clearing and settlement systems. This affects efficiency and slows progress towards more advanced mechanisms, such as T+1 or intraday mechanisms.<br>• VSDC still lacks a fully operational CCP structure. The current system provides weaker protection against counterparty default and limits the expansion of short-selling, securities lending & borrowing (SLB), and more complex derivatives. |

| | | | | |
|---|---|---|---|---|
| **Data provision** | • The 2 stock exchanges are the primary sources of raw trading data, corporate actions and regulatory disclosures.<br>• Private data vendors (FiinGroup, Cafef, Vietstock, Fireant, etc.) provide trading and financial data of listed companies.<br>• International vendors (Bloomberg, S&P Capital IQ, etc) also cover Vietnam, but the coverage tends to be less granular. | • At the institutional end, FiinProX (by FiinGroup) remains the dominant data and analytics platform, serving securities companies, asset managers, banks and other professional investors. FiinProX covers a wide variety of data, including macro, industry, equities, fixed income and corporate.<br>• On the retail side, platforms such as Vietstock, FireAnt, and proprietary brokerage apps compete primarily on user experience, news integration, and real-time price displays. Brokerages benefit from having seamless integration between trading interfaces and embedded data/analytics, reducing the addressable retail market for independent data providers.<br>• Global vendors like Bloomberg, Refinitiv, and Capital IQ compete mainly in the high-end institutional segment, but their coverage of Vietnam is comparatively shallow, especially in unlisted companies, ownerships and corporate bonds. As a result, they complement rather than replace domestic providers. | • Coverage of HoSE, HNX and UPCoM on equities is comprehensive, with most vendors capturing exchange feeds and issuer disclosures.<br>• The leading vendors typically update market data in real time and update financial statements as soon as companies file on the exchanges. Corporate news, regulatory announcements and ownership changes are usually posted quickly due to automated scraping or direct feeds. | **Equity market data:**<br>• The quality and completeness of issuers are uneven, particularly among smaller listed firms and UPCoM companies, where delays in publishing financial statements, incomplete filings, or inconsistent reporting formats are still common.<br>**Bond market data:**<br>• There is no sufficiently long and reliable PD dataset to support risk management and interest rate pricing.<br>• Bond pricing continues to rely on 12-month average deposit rates at major banks, resulting in low stability in fixed-income returns and a weak pricing foundation, as this benchmark fluctuates frequently.<br>• A reliable corporate bond yield curve has yet to be established, aside from data published by FiinGroup. |

# IV. Synthesis of DFI Interventions

## 4.1 Past and current DFI activities

DFIs in Vietnam have traditionally directed their investments toward broad-based socio-economic development, including improving access to essential services for underserved communities and supporting critical infrastructure expansion. Over the past decade, DFI activity in the country has grown steadily. Between 2017 and 2025, a total of 141 non-sovereign transactions were recorded, with cumulative investments exceeding USD 7.3 billion. Among the nine prominent DFIs in Vietnam, IFC accounted for more than 55% of total committed capital. By sector, DFI investment has been concentrated in banks and microfinance institutions (MFIs) primarily to strengthen and expand lending portfolios, as well as in large-scale energy and manufacturing projects.

***Figure 26: Non-Sovereign DFI Investment Activity in Vietnam (2017 –2025) of Selected DFIs***

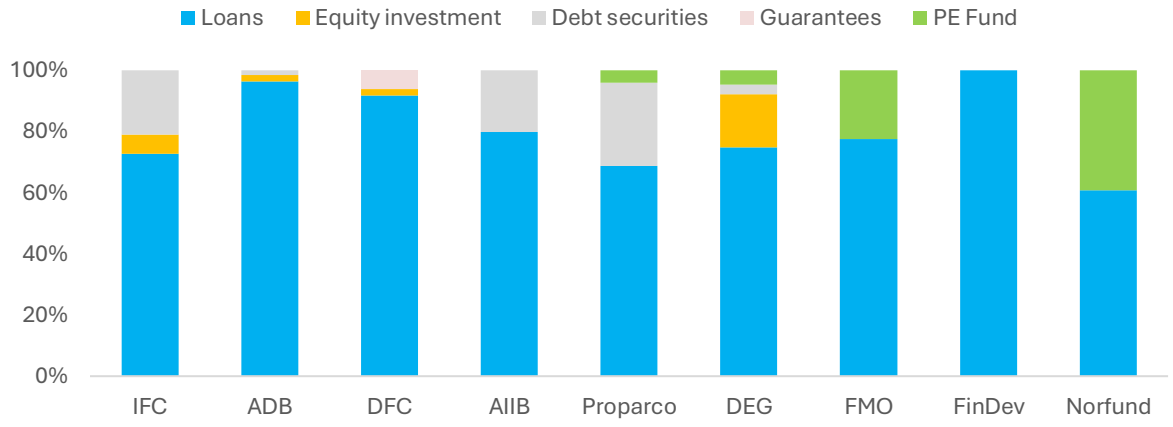
| 2017 – 9M2025 | DFIs | | | | | | | | | Guarantors | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | IFC | ADB | DFC | AIIB | Proparco | DEG | FMO | FinDev | Norfund | CGIF | GuarantCo |
| Total Investment (USD mil) | 4,054.3 | 971.5 | 822.6 | 372.5 | 367.0 | 320.9 | 178.4 | 150.0 | 103.6 | 533.4 | 223.5 |
| Number of Deals in VN | 55 | 25 | 13 | 6 | 8 | 11 | 5 | 2 | 6 | 12 | 6 |

*Source: Mentioned DFIs' database. Note: Excludes investments made via private equity funds with multi-country mandates*

DFI transactions in Vietnam from long-established institutions such as IFC, ADB, and DFC have traditionally involved large-ticket investments, with an average deal size of approximately USD 64.5 million. By contrast, smaller-scale transactions are more common among newer DFI entrants focused on impact-oriented investments. In addition, credit enhancement vehicles (CEVs), particularly guarantees provided by CGIF and GuarantCo, have become increasingly visible. The large infrastructure financing gap underscores the need for credit guarantees to support the local bond market and highlights the importance of developing locally based credit guarantors to help mobilise long-term capital.

Across the DFIs reviewed, loans (including syndicated loans and blended-finance structures) remain the predominant instrument and carry significant larger ticker sizes, followed by debt securities supported by the surge in banks' sustainable bonds since 2021.

***Figure 27: Composition of DFI-Recorded Deals in Vietnam, by Product Type (2017-2025)***




***Unit: USD mil***

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Loans** | 2,949.7 | 928.1 | 752.0 | 297.5 | 252.0 | 240.4 | 138.4 | 150.0 | 62.85 |
| **Debt securities** | 850.1 | 15.0 | -- | 75.0 | 100.0 | 10.0 | -- | -- | -- |
| **Equity investment** | 254.5 | 20.0 | 18.0 | -- | -- | 55.5 | -- | -- | -- |
| **Guarantees** | -- | -- | 50.0 | -- | -- | -- | -- | -- | -- |
| **PE Fund** | -- | -- | -- | -- | 15.0 | 15.0 | 40.0 | -- | 40.7 |

*Source: FiinRatings' compilation. Note: Excludes investments made via private equity funds with multi-country mandates*

## 4.2 Effectiveness in Capital mobilisation and Cases

- **Loans:** IFC and DFC have expanded Vietnam's supply of long-term climate and impact finance by providing green loans to banks. These investments strengthen domestic lenders' ability to finance SMEs and co-finance

renewable energy and infrastructure projects. ADB, DEG, Proparco, FMO, and AIIB complement this role by financing private-sector projects in manufacturing, logistics, energy, and digital infrastructure.

- IFC granted a USD 120 million loan to SHB (2023) to support SME lending, women-led enterprises.
- DFC granted a USD 300 million loan to VPBank (2023) to support SME lending, women-led enterprises, and the bank's transition toward climate-aligned, low-carbon technologies.
- ADB provided a USD 186 million green loan to the 257 MW Phu Yen solar project

- **Thematic Bond Market Development:** DFIs have catalysed Vietnam's emerging GSS+ bond market by acting as anchor investors and validating international-standard structures.
  - IFC invested USD 200 million, together with USD 100 million from Proparco, in VPBank's 2025 sustainability bond to significantly expand SME lending.
  - AIIB invested USD 75 million in SeABank's green bond issuance, in a transaction facilitated in parallel with IFC, helping establish credibility and investor confidence for local-currency thematic bonds.
- **Technical Assisitance**: IFC, ADB, GIZ, and UNDP have supported commercial banks in integrating climate-risk assessment tools, developing green-lending taxonomies and green bond frameworks aligned with the Loan Market Association and the ICMA's Green Bond Principles. Additionally, IFC collaborated with the SSC to produce the "Sustainability Reporting Handbook for Vietnamese Companies", while GIZ and UNDP contributed through capacity building, climate-finance advisory, and broader ESG guideline development.

## 4.3 Gaps & Opportunities analysis

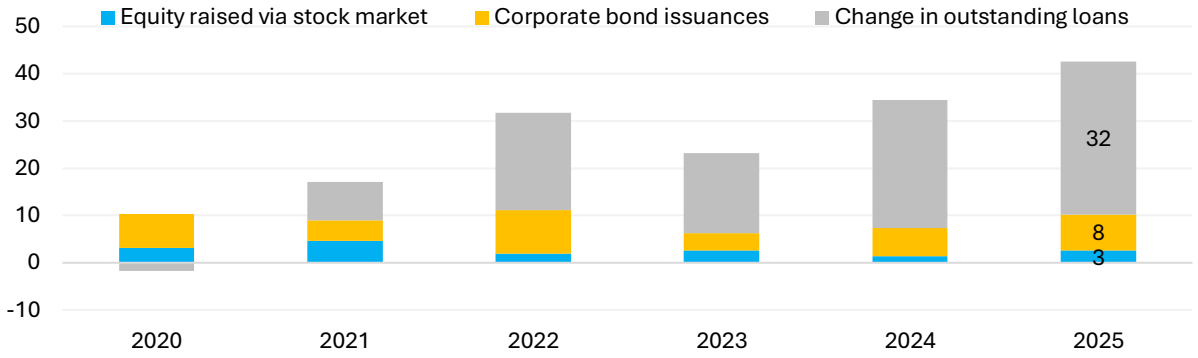
| Gaps | Opportunities |
|---|---|
| • **Limited investable fund structures:** Lack of institutional-grade vehicles such as infrastructure funds, blended-finance platforms, and climate-finance facilities that DFIs commonly rely on to de-risk and mobilize private capital on scale. Consequently, DFIs are restricted to bilateral lending to banks or project-specific financing.<br>• **Equity investment constraint:** Investees' reluctance to dilute ownership and the absence of clear exit pathways in a still-shallow capital market with low IPO activity. In addition, FOL restriction and the IFRS/VAS gap further restrict equity participation. As a result, most DFI equity exposure is channeled through PE funds rather than direct investments.<br>• **Sector concentration and limited products:** The listed equity universe dominated by banks and real estate, where many DFIs have restrictive mandates due to systemic or sustainability concerns. Meanwhile, few firms in DFI sectors meet DFIs' strict ESG and financial reporting standards. This limits both deal flow and sectoral diversification.<br>• **Sovereign & Exchange rate risk:** This is a key concern, as Vietnam's sovereign credit rating is relatively low causing wider yield spreads, and the Vietnamese dong is expected to depreciate by approximateley 5% per year, while currency hedging instruments remain underdeveloped and lack sufficient market depth. | • **Limited role of domestic DFIs:** Domestic DFIs play a limited role in equity and corporate bond markets, with SCIC's equity participation being targeted and relatively modest, while VDB remains loan-focused with a small asset base. There is currently no meaningful domestic DFI presence in the corporate bond market. This creates a clear opportunity for foreign DFIs to provide anchor capital, risk-sharing mechanism to crowd in private investment.<br>• **Raising Foreign Ownership Limits:** Under the new framework, companies in non-restricted sectors may now set their own FOL up to 100%, unless explicitly capped by specialized laws. This removes the ambiguity that previously discouraged DFIs from taking minority equity positions in mandates-aligned sectors.<br>• **FTSE Emerging Market upgrade and Market reforms:** Streamlining IPO and listing procedures, settlement-cycle upgrades, pre-funding removal, and improved information disclosure. These reforms will strengthen governance standards and increase the pool of companies eligible for DFI participation, thereby making IPOs and secondary exits more realistic.<br>• **Infrastructure and energy agenda:** Just Energy Transition Partnership (JETP), PDP8, and various infrastructure masterplans provide a strong rationale for establishing infrastructure funds and blended-finance vehicles that DFIs could anchor. These structures help de-risk projects, standardize financing, and crowd in private capital and institutional investors.<br>• **Credit Enhancement Mechanisms:** Legal framework for a corporate bond guarantee fund under development, creating a clear opportunity for specialized DFIs to establish a local presence. Such a mechanism could mitigate credit risk, strengthen investor confidence, and improve market access for non-bank issuers despite the absence of near-term sovereign rating upgrades. |

# C. Philippines Market

## I. Market Landscape & Activity

The Philippines remains a structurally bank-first economy, with the banking sector serving as the primary engine of corporate financing. This reliance on bank balance sheets reduces incentives for corporates-particularly conglomerates-to access public markets, reinforcing a cycle of shallow liquidity, limited issuance, and weak price discovery. As a result, their capital market remains structurally underdeveloped relative to the size of the economy and lags behind most ASEAN peers in both depth and liquidity.

***Figure 28: Sources of corporate financing in the Philippines***




*Source: PSE, ADB, BSP*

The corporate bond market is similarly constrained. Outstanding corporate bonds accounted for only 5% of GDP as at the end of 2025, significantly below regional peers (Singapore, Thailand and Vietnam). While market infrastructure is broadly functional, the limited size of both equity and debt markets constrains their ability to act as reliable channels for long-term corporate and infrastructure financing.

**Key Messages**

**A Fragmented Ecosystem Locked Out of Public Capital**

Despite sound macroeconomic fundamentals, the Philippine capital market is fragmented and dominated by a small cohort of entrenched family conglomerates. Overreliance on bilateral transactions and private placements locks mid-cap issuers out of public financing, while institutional capital mobilisation remains structurally impeded.

**Supply-Side Constraints: Governance Aversion Suppresses Issuer Quality and Foreign Participation**

Issuer readiness is compromised by entrenched governance norms and weak transparency. Family conglomerates maintain intricate cross-shareholdings, lack genuine board independence, and actively avoid public reporting requirements. Weak transparency starves the market of high-quality listings and deters international institutional investors who mandate global governance standards.

**Missing Market Infrastructure Produces a Buy-and-Hold Default**

The secondary C-bond market displayed a lack of depth, driven by the absence of an inter-dealer repo market and a non-functioning primary dealer system. Without inventory management instruments or the structural ability to short bonds, local market makers face prohibitive execution costs, making them reluctant to underwrite or provide liquidity for mid-sized issuers. The corporate debt market consequently operates almost entirely on a buy-and-hold basis, producing wide bid-ask spreads and unreliable price discovery.

**DFI Role: Blended Finance as the Catalytic Lever**

Standard capacity-building is insufficient. DFIs shall deploy targeted credit enhancements — defined basis point yield reductions and first-loss equity provisions — directed at corporate issuers rather than sovereign instruments, to shift the risk-return profile for mid-cap issuers and incentivise underwriters toward a more liquid, institutionalised market.

### 1.1 Equity Market

#### 1.1.1. Market performance

As of the end of 2025, total equity market capitalisation stood at approximately USD 318 billion, equivalent to around 66% of GDP, placing the Philippines among the group having small equity markets in ASEAN on a GDP-adjusted basis together with Indonesia and Vietnam. The Philippine equity market is highly concentrated, both by sector and by ownership. Holding companies, financial institutions, and industrial firms dominate market

capitalisation, reflecting the prominence of large conglomerate groups. This concentration has resulted in a persistent "conglomerate discount," whereby listed holding companies trade as proxies for economic exposure rather than as vehicles for efficient capital allocation.

***Figure 29: Total market capitalisation and number of listed firms***

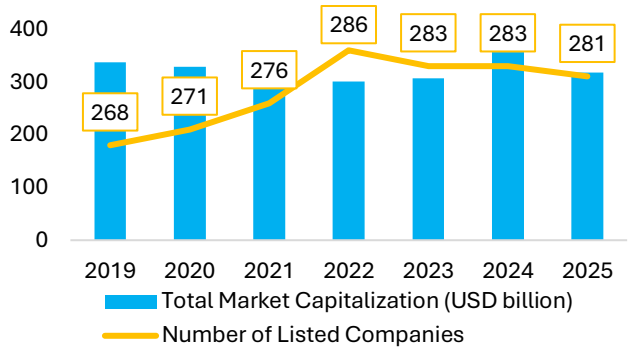
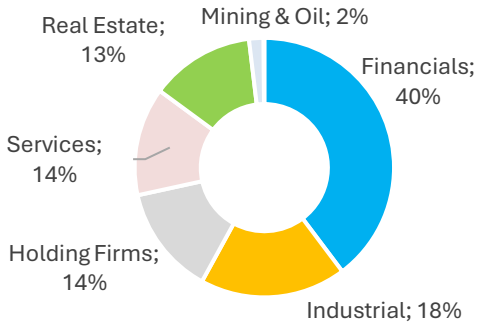



***Figure 30: Weights of Market Capitalisation, FY2025***

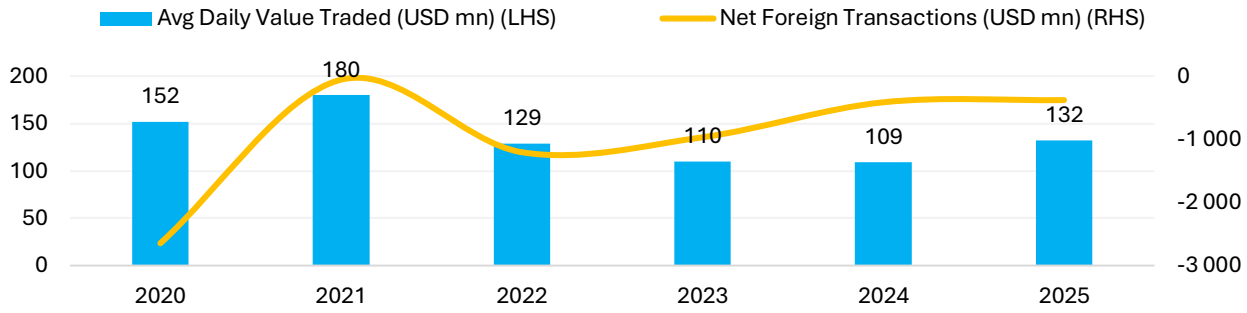



*Source: PSE*

*Note: Sector are based on PSE industry classification. Industrial and services sectors include several holding-company–type firms, hence exposure to holding companies and conglomerate groups may be underestimated when viewed solely under the "Holding Firms" category.*

Liquidity remains the central structural weakness of the Philippine equity market. Daily Average Value Turnover (DAVT) has struggled to recover to pre-pandemic levels, declining from around US$152 million in 2020 to approximately US$132 million in 2025. Trading activity is also highly concentrated in a small number of large-cap stocks, with limited participation across the broader market. This thin liquidity creates a self-reinforcing negative feedback loop: global institutional investors are deterred by execution and exit risks, while issuers face constrained valuation and limited aftermarket support, reducing incentives to list. Persistent net foreign outflows, amounting to roughly US$380 million in 2025, underscore weak external demand. As a result, the market remains shallow, with limited price discovery and subdued secondary trading activity, ultimately constraining its ability to scale and attract sustained capital inflows.

***Figure 31: Average Daily Value Traded and Net Foreign Transactions, 2020-2025***




*Source: PSE*

Beyond the weak inflow of new capital, the market is grappling with a structural trend of **de-equitization**. The exchange has recorded a **net contraction** in the number of listed companies for three consecutive years. This trend is driven by a combination of voluntary privatisations (where major shareholders buy out minorities to exit the public eye) and involuntary delistings due to non-compliance. For DFIs, this "net negative" growth poses a strategic challenge: the universe of potential public-market partners is shrinking rather than expanding, where the cost of public compliance now outweighs the benefits of access to capital, reinforcing the need for policy interventions that lower friction costs for issuers, especially mid-size corporates.

***Figure 32: Stock listings and delistings activities***

| Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| **PSE (Main board)** | **263** | **263** | **263** | **264** | **269** | **276** | **273** | **272** | **271** |
| *Newly listed firms* | 4 | 1 | 3 | 2 | 8 | 6 | 3 | 2 | 2 |
| *Delisting firms* | -2 | -1 | -2 | -1 | -3 | 0 | -6 | -3 | -3 |
| **PSE (SME board)** | **4** | **4** | **5** | **7** | **7** | **10** | **10** | **11** | **10** |
| *Newly listed firms* | 0 | 0 | 1 | 2 | 0 | 4 | 0 | 1 | 0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *Delisting firms* | 0 | 0 | 0 | 0 | 0 | -1 | 0 | 0 | -1 |

*Source: Compiled from the PSE*

**Regulatory Updates:**

Recent regulatory developments in the Philippine equity market have focused on improving market efficiency, lowering transaction costs, and making listing more accessible, particularly through tax reforms and listing rule adjustments.

A central reform is the **Capital Market Efficiency Promotion Act (CMEPA),** enacted in 2025, which introduces comprehensive tax changes to enhance capital market competitiveness. The law significantly reduces the stock transaction tax and lowers documentary stamp taxes on securities issuance, while also standardising the taxation of dividends, interest, and capital gains. These measures are designed to lower the cost of investing and trading, reduce tax arbitrage, and encourage greater participation in both equity and debt markets, thereby improving overall market efficiency and capital formation.

In parallel, the **Revised REIT Rules** were updated in January 2026 to stimulate capital raising and broaden eligible asset classes. Key revisions include lower public float requirements and tax incentives, as well as provisions requiring proceeds to be reinvested into real estate or infrastructure assets within a defined timeframe. These changes aim to make REIT structures more attractive to sponsors while mobilising long-term capital into infrastructure and income-generating assets, supporting both market depth and economic development.

More recently, reforms to **Minimum Public Ownership (MPO) through a tiered IPO public float** regime have been introduced to make listings more flexible and responsive to market conditions. Under the new framework, larger companies are allowed to list with lower initial free float requirements, while still maintaining minimum thresholds post-listing. This replaces the previous one-size-fits-all requirement and is intended to ease listing constraints for large corporates, improve IPO pipeline viability, and enhance price discovery without compromising market liquidity.

### 1.1.2. IPO Assessment

In 2025, initial public offering (IPO) activity on the Philippine Stock Exchange (PSE) remained subdued, with only two companies completing listings—Top Line Business Development Corp. in April and Maynilad Water Services, Inc. in November—one fewer than in 2024 and well below expectations of six listings set by the PSE's leadership. Market participants attributed the weak pipeline and postponements to broad uncertainty in both local and global markets, including U.S. trade policy volatility, poor equity valuations, thin liquidity, and heightened risk aversion, which collectively dampened investor confidence and reduced appetite for new issues. Low valuations and subdued turnover made it difficult for firms to justify IPO pricing, leading some issuers to defer offerings or pursue alternative funding routes.

Another notable drag on 2025's IPO market was the impact of a high-profile corruption scandal related to flood control projects, which eroded investor confidence and weighed on economic growth and market sentiment, further discouraging firms from listing in a challenging environment. Structural and regulatory factors such as public-float requirements, disclosure obligations, and limited investor depth were also cited as ongoing constraints to broader IPO activity.

SME Board has had limited success in expanding the issuer base. While designed to lower entry barriers, many potential issuers drop out during the application process due to compliance costs, disclosure requirements, and uncertainty around post-listing liquidity. By the end of Q3/2025, the SME Board hosted only 10 companies.

***Figure 33: IPOs and Capital Raised, 2020–2025 (Est.)]***

| Year | Total IPOs | Total Raised (USD) | Key Sectors | Prominent Issuers |
|---|---|---|---|---|
| 2020 | 3 | $834 Million | Real Estate, Telecom, Consumer | Converge ICT Solutions ($564M), AREIT ($239M) |
| 2021 | 8 | $3.72 Billion | Food & Bev, Energy, REITs | Monde Nissin ($1.0B), Del Monte ($907M), RL Commercial REIT ($483M) |
| 2022 | 8 | $372 Million | REITs, Banking, Small-Cap | Citicore Energy REIT ($105M), VistaREIT ($99M), Bank of Commerce ($66M) |
| 2023 | 3 | $131 Million | Energy, Retail | MCorp ($75M), Alternergy ($29M) |
| 2024 | 3 | $203 Million | Renewable Energy, Mining | OceanaGold PH ($104M), Citicore Renewable ($91M) |
| 2025 | 2 | ~$602 Million | Utilities, Industrial | Maynilad Water ($590M), Top Line ($12M) |

*Source: Compiled from the PSE*

**Issuer Constraints and Governance Diagnostics**

The supply of investable assets in the Philippine equity market is structurally shaped by the governance

preferences of family-controlled conglomerates – a dynamic that affects the market throughout the listing process.

***Figure 34: Structural constraints and Implications for Foreign Institutional Participation***

| Constraints /Shortcomings | Market Trend and Practices | Impacts on the market/Foreign investors |
|---|---|---|
| **Issuance Pipeline** | Direct consultations with market operators indicate that many family-controlled conglomerates demonstrate a preference for remaining private to maintain concentrated control and minimise public reporting obligations. This is due to **availability of alternative capital:** Ample private market funding and bilateral bank financing allow firms to secure adequate capital without subjecting operations to the governance scrutiny required by public exchanges. | This dynamic restricts the pipeline of new issuances, limits the diversity of high-quality listings, and presents a structural hurdle to broader market institutionalisation. |
| **Ownership architecture and Free-float constraints** | When family-run conglomerates do list, their ownership structures frequently limit secondary market liquidity<br><br>**Minimum Public Ownership (MPO):** The available rule mandates a 20% free float for new IPOs and grandfathered 10% for older listed entities. In practice, companies regularly structure offerings to meet the exact regulatory minimum, utilising cross-shareholding structures and subsidiary networks to retain strict voting control. New tiered public float requirements based on issuer size have been introduced in Feb 2026 – ranging from at least 33% for smaller firms (up to USD 8.7mil) down to 12% for larger issuers (up to USD 3.5bil). | This reform removes a concrete barrier to listing for large conglomerates by making an IPO more compatible with their control retention preferences. However, this may reduce IPO appetite at the lower end of the market due to stricter requirements.<br><br>For DFIs, this reform also has mixed impacts, as lower permissible floats for the largest issuers worsen execution depth for block allocation despite large-cap listing expansion. Moreover, this leaves governance concerns untouched that heighten minority shareholder misalignment risk. |
| **Governance quality and Institutional Capital Deterrence** | The internal governance mechanisms of dominant listed entities frequently diverge from the criteria demanded by foreign institutions:<br><br>**Board composition:** Boards are frequently aligned with the controlling family or parent conglomerate, limiting the role of independent directors and concentrating decision rights. | This concentration of oversight creates a perceived risk of minority shareholder misalignment, deterring international asset managers and development finance institutions from deploying anchor capital. |

### 1.1.3. Outlook

The outlook for IPO activity in the Philippines in 2026 is cautiously optimistic, supported by a stronger regulatory environment. The Philippine Stock Exchange (PSE) is targeting a modest pipeline of around four IPOs, with expectations that the market could meet this target if investor sentiment continues to recover and interest rates remain supportive. Reforms such as the easing of minimum public float requirements and updates to REIT rules are also expected to facilitate listings, particularly for large-cap issuers that previously faced structural constraints. At the same time, overall capital-raising activity is projected to increase, indicating improving confidence despite a weak IPO performance in 2025.

Sectorally, fintech is expected to be a key driver of IPO activity, with high-profile candidates such as GCash and other digital financial platforms potentially leading the pipeline. In addition, there is growing anticipation of "mega IPOs" across sectors such as infrastructure, energy, and data centres, which could significantly boost market visibility and attract foreign investor interest. Successful large transactions, such as the listing of Maynilad Water, are already seen as important signals that can help rebuild confidence and demonstrate the viability of the Philippine equity market to global investors.

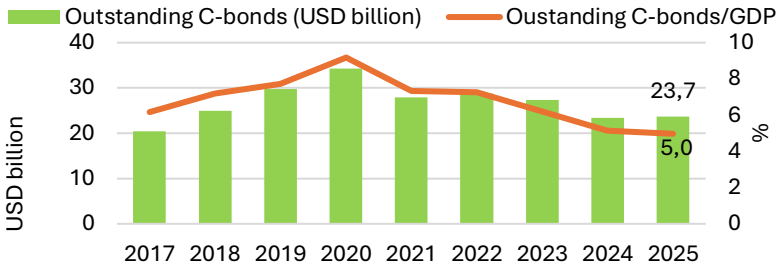
However, the outlook remains conditional on market sentiment and structural constraints. Liquidity remains relatively low and investor confidence still fragile, which could affect both the demand for and supply of IPOs . Companies may delay listings if valuation expectations are not met, while investors may require higher discounts amid global and domestic uncertainties. As a result, while 2026 could mark a recovery year with a stronger pipeline, IPO activity is likely to remain selective and dependent on execution quality, market timing, and continued improvements in market depth and liquidity.

## 1.2 Corporate Bond Market

The Philippine corporate bond market has experienced a significant contraction in recent years, diverging from the growth seen in other ASEAN markets. After peaking in 2020 due to crisis-era refinancing needs, annual issuance volume has declined for four consecutive years. As of the end of 2025, the total outstanding value stood at USD 23.7 billion, a modest size relative to the banking sector's assets. This contraction is largely driven by a high-interest-rate environment that has pushed top-tier corporate issuers back toward the loan market, where

they can negotiate more flexible terms with banks.

***Figure 35: Outstanding C-bonds***




*Source: ADB*

**Figure 36: Outstanding value by sector weights, Sep-25**

| Sector | USD bil | % |
|---|---|---|
| **Financials** | 7.47 | 31.3% |
| **Real Estate** | 7.27 | 30.5% |
| Utilities | 3.87 | 16.2% |
| Holding Firms | 3.76 | 15.8% |
| Transport | 1.04 | 4.3% |
| Telecommunication | 0.27 | 1.1% |
| Others | 0.18 | 0.8% |
| **Total** | **23.87** | **100.0%** |

*Source: ADB, PDEx*

The Philippines corporate bond market is characterised by a strong concentration in Banking (31.3%) and Real Estate (30.5%), accounting for nearly 62% of the outstanding market. This highlights a structural barrier: the bond market effectively serves as a funding venue for financial institutions and property developers, with limited participation from industrial, transport (4.3%), or telecommunications (0.8%) sectors. This concentration limits the market's utility as a source of diverse industrial capital formation. Issuance is heavily skewed toward short- and medium-term maturities, limiting the market's capacity to fund long-term infrastructure.

Secondary Market Liquidity

The Philippine secondary corporate bond market operates with constrained liquidity, characterised by limited two-way quoting and wide bid-ask spreads. The inability to source centralised quantitative data limits continuous price discovery and creates a strong reliance on targeted interventions to establish reliable pricing baselines.

***Figure 37: Secondary Market Liquidity and Structural Illiquidity Diagnostics***

| Supply-side architecture | Demand-side dynamics | Regulatory framework |
|---|---|---|
| • **Absent repo framework:** The inter-dealer repurchase agreement market is still maturing, which currently affects the ease with which dealers can finance bond inventories. This dynamic contributes to longer holding periods, a pattern consistent with markets at a similar stage of development.<br>• **Dealer market structure:** Market-making activity is concentrated among bank-affiliated intermediaries. While this limits breadth of participation, it reflects a consolidation of expertise within established institutions as the market builds its infrastructure.<br>• **Inventory hedging tools:** Current constraints on short selling mean dealers manage inventory risk through position sizing rather than active hedging. During periods of volatility, this causes them to retreat from market-making, leaving available pricing to reflect intermittent transactions rather than real-time conditions. | • **Yield-over-trading preference:** End investors in the peso corporate bond market prioritize savings and coupon collection over trading for capital appreciation, limiting portfolio turnover frequency.<br>• **Tax frictions:** Disparate tax treatments across investor classes create administrative burdens and reduce the net yield of traded bonds, disincentivizing secondary transactions. | A large portion of corporate debt is issued under the **Exempt Transaction framework**, relying on Section 10.1(k) of the Securities Regulation Code, which restricts sales to **fewer than 20 non-qualified investors**.<br>While the Qualified Buyer framework allows for a broader institutional base, the tight restrictions of exempt transactions limit initial float and distribution.<br>By confining bonds to a closed group of initial buyers, the regulation constrains secondary trading potential before it can even begin, structurally embedding a buy-and-hold dynamic at the point of issuance. |

## 1.3 Other Instruments and Product Diversity

Beyond equities and bonds, product diversity remains limited. REITs represent the most successful innovation, enabling capital recycling and attracting yield-oriented investors. However, the market has entered a period of consolidation, driven by high interest rates that compressed yield spreads between REIT dividends and risk-free government bonds, reducing their attractiveness to investors. Consequently, issuers have shifted focus toward follow-on offerings and asset infusions into existing vehicles rather than launching new IPOs.

***Figure 38: REIT Listings and Market Capitalisation***

| Year | New REIT Listings | Notable Listings |
|---|---|---|
| **2020** | 1 | AREIT (Ayala Land) – The first Philippine REIT. |
| **2021** | 4 | DDMP REIT, Filinvest REIT, RL Commercial REIT, MREIT (Megaworld). |
| **2022** | 3 | Citicore Energy REIT, Premiere Island Power, VistaREIT. |
| **2023** | 0 | No new REIT listings: market focus shifted to follow-on offerings. |
| **2024-25** | 0 | Market consolidation; potential inclusion of non-property assets (e.g., infrastructure). |

Moreover, the absence of derivatives, securities lending, and market-making constrains institutional participation.

### 1.4 Sustainable Finance Trends

Sustainable finance in the Philippines has expanded steadily over recent years, driven by climate vulnerability, large infrastructure and energy-transition needs, and growing alignment with international ESG standards. The government has played a catalytic role through sovereign and government-linked sustainable bond issuances, while regulators such as the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) through **Memorandum Circular No. 12 (Series of 2018)**[23], formally adopted the **ASEAN Green, Social, and Sustainability Bond Standards**, providing a clear framework for issuers. This has successfully transitioned the market from "purely voluntary" to "standard-aligned," encouraging top-tier corporates to formalise their frameworks. Banks have increasingly embedded ESG considerations into lending and treasury activities, although sustainable finance remains concentrated among large issuers and transactions, with limited participation from smaller corporates.

Within this landscape, the sustainable bond market remains the most developed segment of sustainable finance in the Philippines, but it is highly reliant on foreign-currency funding and public-sector issuance. Moreover, it remains the domain of large, blue-chip issuers, with limited participation from mid-sized corporates. As of end-Q4 2024, outstanding sustainable bonds reached USD 11.3 billion, growing 4.0% quarter-on-quarter, with sustainability bonds accounting for 83.2% of total sustainable debt outstanding. Notably, around 71.0% of these instruments were denominated in foreign currencies, reflecting both strong offshore investor demand and the still-limited depth of the domestic sustainable peso bond market.

Beyond debt markets, a landmark regulatory development further broadens the sustainable finance landscape as SEC issued **Memorandum Circular No.13 (Series of 2025)** regarding the **Guidelines on Philippine Green Equity**[24] to establish the first green equity designation framework in ASEAN. Aligned with the ASEAN Taxonomy for Sustainable Finance (ATSF) and the Philippine Sustainable Finance Taxonomy Guidelines (SFTG), the framewrok creates a credible pathway for a wider issuer base to access sustainable capital, directly addressing the participation gap that has characterised the bond market to date.

## II. Investor Landscape

### 2.1 Investor Composition

The Philippine stock market is characterised by a high degree of concentrated corporate ownership, predominantly among large, family-controlled conglomerates. Many listed companies are embedded within broader corporate groups, either as parent entities or subsidiaries. This ownership structure results in high levels of strategic corporate and controlling shareholder ownership, a relatively limited free float, and consequently low share turnover. By contrast, foreign investors hold a relatively small share of total market capitalisation (around 10%), but they play a disproportionately large role in price discovery and liquidity, accounting for an estimated 40–45% of total trading value. This structural imbalance makes market liquidity highly sensitive to external global factors, such as US monetary policy, global risk sentiment, and foreign exchange volatility, rather than domestic economic fundamentals. As foreign capital has retreated in recent years, the absence of a deep and active domestic trading base has amplified liquidity pressures.

Meanwhile, local institutional investors, despite their growing asset base, contribute a relatively modest share of equity market turnover and an even smaller share of secondary trading in corporate bonds, reflecting predominantly buy-and-hold investment strategies and limited active portfolio rebalancing.

***Figure 39: Equity Market Ownership vs Trading Activity by Investor Type (2023)***

| Investor Type | % of Market Cap (Outstanding Value) | % of Trading Value (Turnover) | Investment Behavior |
|---|---|---|---|
| **Corporations (Strategic)** | 47% | Low | Strategic control; buy-and-hold. |
| **Strategic Individuals** | 17% | Low | Family owners; minimal trading. |
| **Foreign Investors** | 10% | 42% | Active traders; drive daily price action but sensitive to FX/global macro. |
| **Retail & Free Float** | ~29% | ~20-30% | High volume of accounts, small ticket sizes. |
| **Domestic Institutions** | 7% | Low | Conservative; constrained by mandates |

*Source: PSE, OEC*

[23] Refer to Memorandum Circular No. 12 (Series of 2018)

[24] Refer to Memorandum Circular No.13 (Series of 2025)

## 2.2 Institutional Investor Profile

Large institutional investors-public pension funds, insurance companies, and bank trust entities-control the majority of long-term domestic capital. However, these institutions are structurally conservative and predominantly allocated to government securities and bank deposits, which restricts their investments in broader range of assets.

***Figure 40: Institutional Investors – Portfolio Allocation and Regulatory Constraints***

| Institutions | Size | Investment Allocation | Binding Constraints | Effective Market Role |
|---|---|---|---|---|
| **Banks** | Total outstanding investments of the banking sector: USD130 billion<br>*(Source: PSE, as of 31 Dec 2024)* | Securities issued by the national government (73%), private corporations (7.3%), BSP (6.4%), banks (3.3%) and others (10%)<br>*(As of 31 Dec 2024)* | • Banks must maintain minimum capital adequacy ratio of 8% under Basel III requirements, which limits their holdings of securities with higher risk weights.<br>• The Single Borrower's Limit (SBL) caps a bank's total exposure to a single borrower or a group of connected borrowers (generally at 25% of unimpaired capital). This constraint is particularly binding in the Philippines, where many large corporates are part of conglomerate groups.<br>• BSP liquidity regulations, including the Liquidity Coverage Ratio (LCR) framework, incentivise banks to hold high-quality liquid assets, predominantly government securities and BSP instruments. | Banks generally have strong capacity and expertise in credit analysis and fixed-income investing, reflecting their long-standing role as the dominant providers of corporate financing through loans and holdings of government and high-grade bonds. However, banks' equity investment expertise is relatively limited, as equity exposures are not a core business under prudential regulations.<br>Overall, while banks possess solid analytical capacity for debt instruments, regulatory constraints, balance-sheet considerations, and risk management practices limit their depth and active role as institutional investors in equities and a broader range of corporate bonds. |
| **Pension Funds:**<br>**(SSS/GSIS)** | Total outstanding financial assets of:<br>SSS: USD12.1 billion<br>GSS: USD18.7 billion<br>*(Source: SSS's and GSS's annual reports, as of 31 Dec 2024)* | **SSS:** G-bonds (68%), Equity (21%), Corporate bonds & notes (8%), Others (3%)<br>**GSIS:** G-bonds (50%), Equity (30%), Corporate bonds & notes (12%), Others (8%)<br>*(As of 31 Dec 2024)* | • Both Social Security System (SSS) and Government Service Insurance System (GSIS) are required to allocate a significant share of assets to government securities, reflecting capital preservation and liquidity objectives.<br>• SSS equity investments are capped at 40% of total assets, while GSIS equity exposure is capped at 40% of net loans. Additional eligibility criteria apply: for GSIS, domestic equity investments must be in companies with market capitalisation of at least PHP 15 billion (≈ USD 260 million) and three consecutive years of profitability, limiting exposure to large-cap firms only.<br>• Corporate bonds must generally be investment-grade, issued by companies with no recent default history and adequate interest coverage ratios, significantly narrowing the eligible issuer universe. | SSS and GSIS have strong institutional capacity in portfolio management, risk control, and long-term asset–liability management, reflecting their role as the Philippines' largest pension and social security funds.<br>Their expertise in fixed-income investing is relatively well developed, particularly in government securities and high-grade bonds, with established internal credit assessment and compliance processes. However, their equity and corporate bond investment capabilities are applied conservatively and within narrow mandates, with investments largely concentrated in large-cap, established issuers and investment-grade instruments. |
| **Insurance Companies** | Total invested assets: USD35 billion<br>*(Source: Insurance Commission, as of 31 Dec 2024)* | Mainly long-term G-bonds and time deposits with limited exposure to C-bonds and equities | Before investing in any class of securities or types of investments beyond government instruments, an insurance company must first allocate an amount equal to 50% of its minimum paid-up capital into G-bonds.<br>After that, a domestic non-life insurance company may invest in other classes of securities, provided that:<br>• No more than 20% of such amount may be invested in the company's own business property (e.g., office lot and building); and<br>• Aggregate investment in any single registered enterprise may not exceed 15% of the insurer's capital or 20% of the issuer's capital, whichever is | Expertise is strongest in fixed-income investing, particularly in government securities and high-grade, liquid corporate bonds, where internal credit analysis, portfolio structuring, and cash-flow matching are core competencies aligned with their long-dated liabilities.<br>However, their capacity in equity investing is more limited and applied cautiously. Regulatory constraints, risk-based capital rules, and internal risk appetites lead insurers to take modest equity positions. |

| | | | | |
|---|---|---|---|---|
| | | | lower. | |
| **Trust Entities (UITFs)** | Total AUM: USD11.5 billion<br>*(Source: BSP, as of 30 Jun 2025)* | **AUM by fund type:**<br>Money market funds (60%), Equity funds (30%), Bond funds (7%), Balanced funds (3%)<br>*(As of 31 Dec 2023)* | UITFs may only invest in specified financial instruments, including:<br>• Bank deposits;<br>• Securities issued by or guaranteed by the Philippine government or Bangko Sentral ng Pilipinas (BSP);<br>• Tradable securities issued by foreign governments or supranational entities;<br>• Exchange-listed securities;<br>• Marketable instruments traded on an organized exchange;<br>• Loans traded in an organized market; and<br>• Other tradable investments as may be allowed by the BSP.<br>The combined exposure of the UIT Fund to any entity and its related parties shall not exceed 15% of the UITF's market value. | Philippine UITFs have solid institutional capacity and expertise in managing equity and corporate bond investments, particularly through professionally staffed trust and asset management units of commercial banks with established risk management and compliance frameworks.<br>However, as MM funds accounted for 60% of their total AUM, they have strong bias toward short-term, low-risk instruments, such as G-bonds and deposits. This limits the pool of UITF capital available for equities and corporate bonds, and reduces their role as long-term institutional investors in capital markets. |
| **Mutual Funds** | Total AUM: USD5.4 billion<br>*(Source: PIFA, as of 31 Dec 2024)* | **AUM by fund type:**<br>MM funds (26%), Equity funds (29%), Bond funds (29%), Feeder funds (10%), Balanced funds (6%)<br>*(As of 31 Dec 2023)* | Mutual funds may invest in:<br>• Securities listed or traded on an SEC-registered exchange, including equities, bonds, and exchange-traded instruments;<br>• Government securities (Philippine government bonds, treasury bills, BSP bills);<br>• Commercial papers and banker's acceptances, subject to credit and liquidity standards;<br>• Units of other regulated funds (e.g., feeder funds) within diversification limits.<br>While the SEC rules do not prescribe fixed percentage limits for all asset classes, mutual funds must adhere to diversification principles to protect investors. Moreover, they must maintain liquidity consistent with their redemption obligations, especially open-ended funds. This means a portion of assets must be in liquid securities. | Mutual funds generally have strong capacity and professional expertise in managing equity and corporate bond portfolios, supported by licensed fund managers, dedicated research teams, and well-established portfolio and risk management frameworks. Compared with other domestic institutional investors, they operate under a more flexible regulatory regime, allowing meaningful exposure to listed equities and corporate bonds in line with their stated mandates.<br>However, their impact is constrained by a relatively small asset base, retail-dominated investor profiles, and the need to maintain high liquidity for redemptions, which encourages concentration in large-cap equities and investment-grade, liquid corporate bonds. |

*Source: Bangko Sentral ng Pilipinas (BSP), OECD, SSS, GSIS*

## 2.3 Assessment of factors influencing investors' confidence and demand

| Factor | Drivers (Positive Influences) | Barriers (Constraints & Risks) |
|---|---|---|
| **Market Sentiment** | **Resilient Macroeconomic Backdrop**: The Philippines' consistent GDP growth and "demographic dividend" provide a strong fundamental case for long-term equity investment, supporting sentiment despite cyclical headwinds.<br>**Digitalisation of Retail Access**: The proliferation of digital investment platforms (e.g., GInvest, Maya, Bonds.PH) has democratized access, creating a new, albeit smaller, base of retail liquidity that buoys sentiment during foreign outflows. | **"Lost Decade" Performance**: The PSEi's stagnation (range-bound between 6,000–8,000 for nearly 10 years) has eroded domestic investor confidence, leading to a rotation of capital into safer, higher-yielding government securities or offshore assets.<br>**Thin Liquidity & Foreign Outflows**: A structural decline in daily trading value (from ~$170M in 2016 to ~$110M in 2024) and persistent net foreign selling have created a negative feedback loop, making it difficult for large institutional investors to enter or exit positions without moving the price. |
| **Regulatory Environment** | **Pro-Market Legislative Reforms (CMEPA)**: The enactment of the Capital Markets Efficiency Promotion Act (reducing Stock Transaction Tax to 0.1%) directly addresses the market's primary competitive disadvantage, high friction costs, aligning PH with ASEAN | **Restrictive Derivatives Framework**: The absence of an exchange-traded derivatives market (Futures/Options) limits hedging tools for foreign institutions. The market remains predominantly OTC |

| | | |
|---|---|---|
| | peers.<br><br>**REIT Framework Success**: The effective implementation of the REIT Act has successfully created a new asset class that appeals to dividend-seeking investors, successfully unlocking capital from major conglomerates. | and bank-driven, restricting sophisticated portfolio management strategies.<br><br>**Bank-Centric System**: Prudent but restrictive banking regulations (e.g., Single Borrower Limits, reserve requirements) incentivize banks to hold bonds to maturity rather than trade them, reducing secondary market liquidity for corporate debt. |
| **Information Availability** | **Centralised Disclosure (PSE EDGE)**: The PSE EDGE portal provides a centralised, reliable source for listed company disclosures, which is relatively advanced compared to some frontier peers.<br><br>**Improved Corporate Governance**: increasing adherence to ASEAN Corporate Governance Scorecard standards among top-tier conglomerates has improved transparency for "Blue Chip" names. | **Fragmented Private Markets Data**: Data on private placement corporate bonds is "not comprehensively disclosed" and reported only on a "deal-by-deal basis," creating a blind spot for total corporate leverage assessment.<br><br>**Lack of Consolidated Credit Ratings**: Market-wide rating coverage is "not publicly available as a consolidated metric," and sector-level breakdowns of credit quality are non-existent, forcing investors to rely on internal bank models or proxy sovereign spreads.<br><br>**OTC Opacity**: Transparency for derivatives (FX Forwards/Swaps) is low due to their OTC nature, with no centralised clearing or public volume reporting. |

*Source: Desk research, interviews with market participants*

# III. Intermediaries & Market Infrastructure

## 3.1 Intermediaries

The Philippine intermediary landscape operates under incentive structures that limit broad-based market making and restrict capital access for non-conglomerate issuers. Data from the Philippine Stock Exchange (PSE) quantify a highly concentrated market share, revealing that a tight syndicate of bank-affiliated underwriters controls the primary issuance pipeline. Direct consultations with market pariticipants provide the qualitative reasoning behind this concentration: underwriters exhibit a clear reluctance to serve mid-sized firms because they can secure higher absolute fees from top-tier conglomerates for a comparable level of regulatory and operational effort. Consequently, these institutions ration their advisory resources and deprioritise medium-sized initial public offerings and corporate bond issuances, leaving a structural advisory gap for growth-stage companies seeking public capital.

Furthermore, broker-dealers face systemic barriers that prevent continuous two-way quoting in the secondary market. Recent insights from market participants outline the hard financial metrics restricting local market makers, specifically detailing their operational costs, capital constraints, and the minimum profitability thresholds required to maintain active trading desks. Without access to centralised clearing, automated inter-dealer platforms, or deep repurchase agreement (repo) markets, executing and settling trades involves elevated operational costs per transaction. Because market makers cannot short bonds to manage inventory risk, the capital required to hold unhedged positions often outweighs the potential spread revenue. This imbalance forces dealers to step back from market-making roles during periods of volatility, further reducing secondary market depth.

The limited availability of consolidated and decision-useful data on intermediation economics contributes to informational frictions in the Philippine capital market. There is no market-wide publication of key indicators such as bid-ask spreads, underwriting fees, or market-making revenues. This lack of granularity and centralisation makes it difficult for independent or foreign broker-dealers to accurately assess the commercial viability of market entry. Although not the primary constraint, given the market's limited scale and liquidity, this opacity adds to barriers to entry, reinforcing the concentration of bank-affiliated intermediaries and constraining the broader development and liquidity of the market.

***Figure 41: Key Intermediaries in Equity and Bond Markets***

| Intermediary | Competitive landscape | Capacity & Expertise | Structural Constraints |
|---|---|---|---|
| **Investment** | The leading investment bankers (BDO Capital, | The expertise is anchored in structuring, regulatory | • Market constraints, such as a narrow institutional investor base, limited deal |

| | | | |
|---|---|---|---|
| **Banks / Underwriters** | BPI Capital and First Metro Securities) are part of large universal banks. This gives them access to established corporate relationships and strong deal pipeline. | execution, documentation, and distribution for domestic corporate bonds and follow-on equity offerings. This capability has been built through repeated issuance by large conglomerates, banks, and quasi-sovereign entities, allowing local underwriters to accumulate transaction experience and issuer relationships despite relatively low overall market turnover. | flow, conservative risk appetite, and shallow secondary markets limit skills development in large, complex, growth-oriented IPOs or more complex products.<br>• The overwhelming position of bank-affiliated investment bankers creates a structural conflict: these institutions are incentivized to prioritize bank loans over capital market solutions for clients, or to focus exclusively on "Blue Chip" issuers that fit their parent bank's risk appetite. |
| **Broker-Dealers** | Highly Concentrated.<br>Top 10 firms account for a significant majority of turnover. The market is bifurcated into:<br>• Bank-Affiliated: (UBS Securities, Macquarie Capital Securities, BPI Securities, etc.) lead institutional flows originating from their parent banks' networks.<br>• Independent/Retail: (COL Financial) lead retail volume but have smaller deal capacity. | Philippine brokers and investment banks vary in their corporate access capabilities, with the largest domestic houses and international brokers offering reasonably solid engagement support for issuers and institutional investors.<br>In general, they are competent on domestic corporate access, particularly for blue-chip issuers and local institutional investors. | A smaller institutional investor base, lower overall market liquidity, and less frequent large-cap transactions make it harder for brokers to marshal diverse institutional participation or extensive non-deal roadshows. In general, the breadth of corporate access platforms and roadshow infrastructure seen in larger capital markets is lacked in the Philippines. |
| **Research Providers** | Bank affiliation is a major advantage, enabling better access to management, data and deal-driven insights. Therefore, top players remain BPI Capital, First Metro Securities | The leading research providers in the Philippine capital market, largely bank-affiliated brokers, have adequate capacity and solid expertise in equity research, particularly for large-cap and index constituents, supported by strong relationships with listed conglomerates and financial institutions.<br>Language: English is the standard, reducing barriers for foreign investors (a key advantage over Vietnam/Thailand). | The small size and concentration of the equity market mean that research coverage is heavily skewed toward a limited number of large-cap and index stocks, leaving mid- and small-cap companies largely uncovered. Corporate bond research is constrained by thin secondary-market liquidity, limited price transparency, and infrequent issuance, making it difficult to construct robust credit curves or conduct continuous spread analysis. |
| **Credit Rating Agencies** | PhilRatings is the pioneer and leading domestic CRA, virtually the sole provider for domestic corporate commercial paper and bond ratings. | PhilRatings has adequate technical capacity and long-standing expertise in assessing Philippine sovereign, bank, and corporate credit risk, with a track record spanning several decades. Its analytical strength lies in local-market knowledge, including familiarity with domestic regulatory frameworks, conglomerate structures, and issuer financial disclosures, which is particularly relevant for peso-denominated bonds and short-term instruments. | • The limited competitive field has contributed to concerns among market participants about the reliability and differentiation of credit assessments, with many domestic ratings clustered at the top of the scale and relatively narrow spreads even among AAA-rated issues.<br>• This "high quality bias" limits access for mid-sized firms, as institutional investors (insurance, pension funds) face stiff capital charges for holding lower rated or unrated paper.<br>• The strong concentration in the AAA-tiered bonds restricts CRAs' ability in rating complex instruments such as project bonds, securitized assets, or blended finance structures. |

## 3.2 Market Infrastructure

The Philippine stock market infrastructure is generally sound and reliable, providing the basic foundations for trading, clearing, settlement, disclosure, and market data. While recent system upgrades have strengthened operational stability and modernised core processes, the overall ecosystem remains relatively shallow and conservative, with limited market depth and fewer advanced mechanisms than in more developed markets.

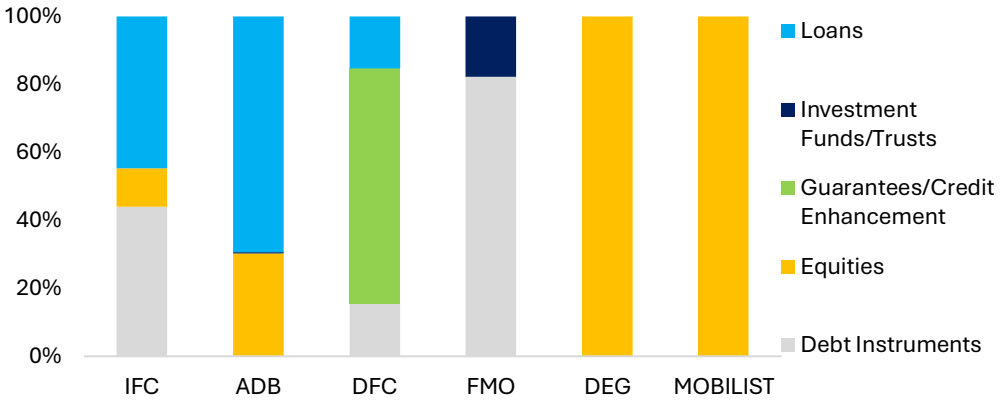
*Figure 42: Overview of Market Infrastructure and Recent Enhancements*

| System | Assessment of Accessibility & Reliability | Constraints |
|---|---|---|
| **Trading Platforms** | PSE operates an electronically driven trading platform, historically based on Nasdaq's X-stream technology, which has supported large trading volumes and expanded product requirements.<br>In 2025, PSE announced a major upgrade to Nasdaq's next-generation Eqlipse Trading platform, aimed at enhancing system resilience, liquidity support, pre-trade risk management, and advanced functionality aligned with international market standards. | • Liquidity remains relatively thin, particularly outside the largest blue-chip names, reducing the breadth of active trading and limiting price discovery.<br>• The development of advanced market mechanisms such as short selling, securities lending, and derivatives has been slow, in part due to regulatory conservatism, limited infrastructure, and concerns about investor risk and market manipulation, which has constrained market sophistication compared with regional peers. |
| **Settlement systems** | Securities Clearing Corporation of the Philippines (SCCP), a wholly owned subsidiary of the Philippine Stock Exchange, acts as the central counterparty (CCP) for equity trades executed on the PSE.<br>The settlement system is generally stable and fit for current market volumes. Upgrades in recent years (e.g. shift from T+3 to T+2, multicurrency settlement, etc.) have strengthened operational resilience, improved risk controls, and prepared the market for more advanced practices. | • The system remains conservative in design, with limited support for securities lending, short selling, and other advanced post-trade services that are important for liquidity enhancement.<br>• Market concentration, low trading turnover, and limited cross-border connectivity reduce the system's utilisation and economies of scale. |
| **Data provision** | Data provision is generally reliable for official and regulatory-grade information, with the PSE acting as the central data source through platforms such as the PSE Equities Information Platform (EIP). The EIP provides standardized access to real-time and historical prices, corporate disclosures, trading statistics, indices, and issuer information, supporting brokers, listed companies, and investors in meeting disclosure, monitoring, and compliance needs. | Limitations include restricted depth of historical and intraday data, limited order-book granularity, and fewer value-added analytics, which constrain advanced research, quantitative strategies, and secondary-market analysis.<br>As a result, institutional and foreign investors often rely on global data vendors (e.g. Bloomberg, Refinitiv) to complement PSE data. |

# IV. Synthesis of DFI Interventions

Historically, Development Finance Institutions (DFIs) in the Philippines have operated with a dual mandate: bridging the infrastructure financing gap and deepening the financial sector's capacity to lend to underserved segments. DFI activity in the Philippines is characterised by large-ticket anchor investments focused on two mature sectors: Financial Institutions (FIs) and Renewable Energy. Prominent institutions such as the International Finance Corporation (IFC) and the Asian Development Bank (ADB) Private Sector Operations lead the landscape. Despite this activity, the DFI footprint remains highly concentrated. Investments are overwhelmingly skewed toward top-tier conglomerates (e.g., Ayala Corporation, SM Group) and Universal Banks (e.g., BDO, BPI). This concentration reflects the "flight to quality" caused by the credit rating constraints identified in Section 3.1, leaving mid-sized corporates and greenfield infrastructure projects largely underserved by direct DFI capital.

*Figure 43: Composition of DFI-Recorded Deals in the Philippines by Product Type, 2022 - 2025*




| *Unit: USD Mil* | IFC | ADB | DFC | FMO | DEG | MOBILIST |
|---|---|---|---|---|---|---|
| **Loans** | 561.1 | 422.2 | 20.0 | -- | -- | -- |
| **Investment Funds/Trusts** | -- | 3.0 | -- | 5.5 | -- | -- |
| **Guarantee/Credit Enhancement** | -- | -- | 90.5 | -- | -- | -- |
| **Equities** | 141.3 | 183.8 | -- | -- | 27.2 | 22.5 |
| **Debt Instruments** | 554.4 | -- | 20.0 | 22.5 | -- | -- |

*Source: IPSOS' compilation. Note: Excludes investments made via private equity funds with multi-countries mandates.*

An analysis of the official development finance landscape in the Philippines reveals a capital deployment strategy heavily skewed toward loans, followed by traditional debt. A closer examination of specific institutional deployments confirms this reliance on direct lending, highlighted by the Asian Development Bank's USD 422 million and IFC's USD 561 million loan allocations during 2022 - 2025. As both ADB and IFC have shifted their intervention strategy to using capital market instrument in the last five years, Corporate debt has also emerged as a primary instrument, accounting for 44% of the portfolio. This includes acting as cornerstone investors for Thematic Bonds (Green, Blue, and Social) and providing blended finance solutions to de-risk energy transition projects. In contrast, equity investments and credit enhancements represent a significantly smaller fraction of the total capital stack. New credit enhancement deals by CGIF and GuarantCo stopped emerging after 2018, while recent equity mobilisations have been limited to targeted deployments, such as MOBILIST's USD 22.5 million across two IPOs (Citicore Renewable Energy in 2024 and Maynilad Water Services in November 2025), and cornerstone investments of USD 100 million by the International Finance Corporation and USD 145 million by ADB in the same Maynilad IPO. This structural preference for direct debt suggests a strategic opportunity for development finance institutions to pivot toward credit guarantees and blended finance structures, focusing on mobilising domestic institutional capital rather than acting as the primary lender.

## 4.1 Effectiveness in capital mobilisation and cases

DFI interventions in the Philippines have proven most effective when acting as a "market validator" giving confidence to private investors to enter new asset classes.

| Roles | Thematic Bond Market Development (Anchor Investing) | Energy Transition Mechanisms (Blended Finance) | Financial Intermediation Loans (SME Reach) |
|---|---|---|---|
| **Description** | DFIs have been the primary catalyst for the Philippines' leadership in the ASEAN thematic bond market. By acting as sole or anchor investors, they have validated novel structures that domestic banks were initially hesitant to purchase. | Recognizing that commercial rates are often too high to make coal retirement viable, DFIs have deployed concessional capital to alter the risk-return profile of energy projects. | To bypass the difficulty of lending directly to thousands of SMEs, DFIs continue to use large banks as conduits. |
| **Cases** | **BDO Unibank's "Blue Bond" (2022)**: The IFC invested USD 100 million in BDO's Blue Bond, the first issuance of its kind in Southeast Asia. This transaction not only mobilized capital for water and wastewater management but also established a standard framework for "Blue Finance" that other issuers are now replicating.<br>**ACEN Green Bonds**: The ADB and other DFIs have consistently anchored Green | **ADB's Energy Transition Mechanism (ETM):** The Philippines is a pilot country for this high-stakes initiative. The ADB is utilizing blended finance to facilitate the early retirement of coal-fired power plants and their replacement with renewable energy. This represents a shift from "funding new projects" to "funding system change," demonstrating high | **Gender and SME Finance**: Recent transactions involve DFIs providing long-term senior loans to banks (e.g., UnionBank, RCBC) specifically earmarked for Women-Owned SMEs or Climate-Smart Agriculture. While effective in volume, these interventions reinforce the "bank-centric" market structure described in Section 1.1, rather than |

| | | | |
|---|---|---|---|
| | Bond issuances for ACEN (Ayala's energy platform), allowing the company to aggressively pivot from coal to renewables. These issuances effectively "crowded in" international institutional capital by signaling high ESG compliance standards. | additionality. | diversifying funding channels through the capital markets. |

## 4.2 Gaps and Opportunities

| Gaps | Opportunities |
|---|---|
| • **Limited Institutional-Grade Structures:** Outside of vanilla corporate bonds, the market lacks deep "blended finance" or "project bond" structures. Infrastructure financing relies heavily on bank loans with Single Borrower Limits (SBL), creating a bottleneck for mega-projects under the "Build Better More" program.<br>• **"Dry" Exit Options:** The scarcity of IPOs (avg. 3–4 per year) limits the "exit visibility" for equity investors. Unlike deep markets where DFIs can rely on a public listing to exit a 5-7 year holding, the Philippine route is often restricted to a strategic sale or buyback.<br>• **Restrictive Derivatives Market:** The absence of an exchange-traded futures market restricts hedging options. Foreign investors cite the lack of long-dated FX hedging tools (beyond short-term NDFs) as a key friction point for long-term infrastructure capital deployment.<br>• **Credit rating "Blind Spots":** A lack of mandatory credit ratings for private bonds means DFIs must conduct expensive, bespoke due diligence for mid-tier firms. This limits their addressable market to top-tier conglomerates. | • **Energy Transition Mechanism (ETM):** The Philippines is a pilot country for the ADB's ETM, creating a massive opportunity for DFIs to provide concessional capital to retire coal plants early and replace them with renewable energy. This is a "first-mover" advantage for climate-focused funds.<br>• **REITs as a Proven Exit Vehicle:** The Philippines has a successfully functioning REIT market (8 listings). This offers DFIs a clear, liquid exit route for real estate and infrastructure assets (e.g., energy/towers) once they reach maturity.<br>• **Investment in family conglomerates:** Many large family-controlled groups face capital needs linked to generational transition, balance-sheet optimisation, or asset monetisation, creating opportunities for DFIs to invest via pre-IPO stakes, cornerstone IPO participation, or structured minority investments that improve governance and transparency. |

Deploying Guarantees for Active Price Discovery

To transition from direct capital provisioning to systemic mobilisation, development finance interventions must focus on establishing explicit price discovery mechanisms for mid-market corporate risk. Direct consultations with major institutional investors confirm these instruments are strictly necessary to unlock domestic liquidity. Institutional investors indicated the thresholds they would need: approximately 30 percent developmental financing within a given capital stack to comfortably absorb mid-market corporate issuances. Furthermore, a 50 percent partial credit guarantee is explicitly identified as the critical baseline required to secure internal investment approvals. By deploying partial credit guarantees calibrated to these exact parameters, development finance institutions can force local market participants to quote actual clearing prices, effectively revealing the true cost of capital and bridging the pricing gap for emerging corporate issuers.

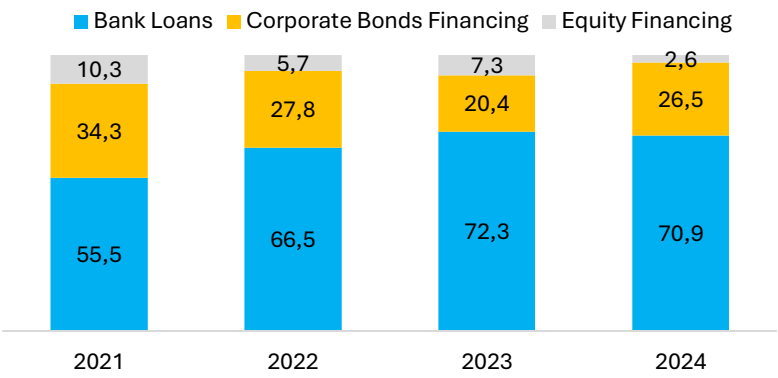
Technical Capacity Building and Risk Modeling Integration

Deploying hard capital and guarantees will yield limited results without the parallel deployment of specialised technical knowledge to help local investors evaluate new asset classes. Aggregate market data indicates that grants and technical assistance account for a stable USD 1.04 billion of annual development flows. To maximize the mobilisation impact of these funds, technical assistance must be redirected toward structural risk modeling for institutional investors. Market consultations reveal that domestic asset managers face significant analytical hurdles when evaluating specialised developmental sectors, such as agricultural infrastructure, particularly concerning calamity insurance and climate-related stress testing. By providing the underlying financial models and technical risk-mitigation frameworks, development finance institutions can equip local asset managers with the empirical justification needed to satisfy their investment committees, thereby facilitating the sustained flow of private domestic capital into high-impact corporate sectors.

# D. Indonesia Market

## I. Market Landscape & Activity

***Figure 44: Source of Private Sector Financing (%)***




*Source: BI, IDX, OJK*

The financial market in Indonesia remains shallow, heavily relying on the banking sector while the capital and bond markets lag behind. This dependence limits long-term financing options and restricts access for non-bank entities. The bond market illustrates this imbalance: with over 80% consisting of government securities, corporate market financing is scarce. As a result, the state shoulders the bulk of development costs, leaving the corporate sector unable to fully utilise the market as an alternative funding source.

**Key Messages**

**Equity Market Concentration and Liquidity Constraints**

Indonesia's equity market has experienced robust, long-term market capitalisation growth, yet it continues to trail major ASEAN peers in depth and liquidity. The market is heavily concentrated, with the top ten companies—primarily in financials, energy, and mining—accounting for over a third of the total index value. Compounding this structural vulnerability is the historically low minimum free float of 7.5%. Regulators have introduced a phased increase to 15% by 2027–2029, depending on companies' current free float levels and market capitalisation. The regulation takes effect from 31 March 2026. This ongoing regulatory shift will primarily pressure mid-cap and small-cap issuers to raise substantial capital, aiming to address current liquidity constraints where trading is often driven by short-term sentiment and profit-taking transaction rather than stable driven by fundamental performances with deep institutional participation.

**Fixed Income and Sustainable Finance Rigidities**

In the fixed-income space, the corporate bond market is expanding but exhibits significant structural rigidities. Issuance is heavily dominated by the financial sector and skewed toward short-to-medium tenors (1–5 years) to satisfy the duration limits of major institutional investors, such as pension funds and insurers. This entrenched buy-and-hold dynamic results in a highly illiquid secondary market and creates steep barriers to entry for new, non-financial corporate issuers. Parallel to this, Indonesia's green and sustainable bond market is largely anchored by foreign-currency-denominated sovereign issuances.

**Market Infrastructure and Listing Reforms**

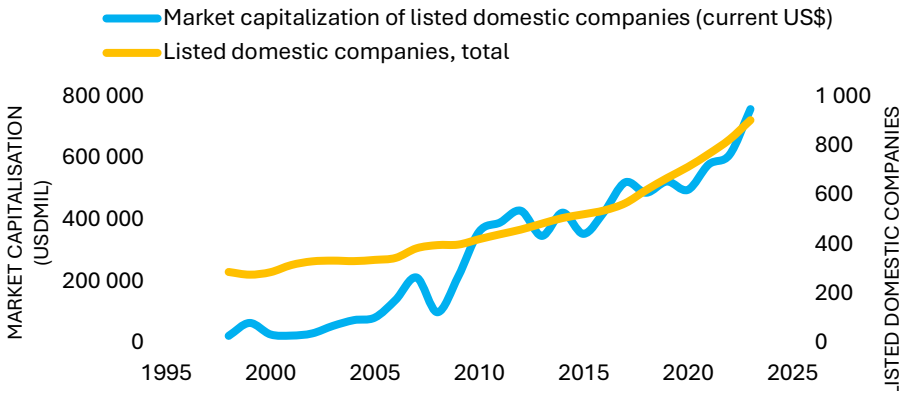
Despite a recent cyclical slowdown in initial public offerings, the Indonesia Stock Exchange (IDX) maintains a tiered listing framework that accommodates firms across various maturity stages. To access global capital pools without the prohibitive costs of traditional dual-listings, alternative mechanisms like Singapore Depositary Receipts (SDRs) are being deployed. Concurrently, the IDX is accelerating its demutualisation process, targeted for the first half of 2026. Transitioning to a for-profit, publicly listed entity is intended to modernise market infrastructure, improve governance, and attract institutional investment, though it will require rigorous regulatory oversight to balance

### 1.1. Equity Market

#### 1.1.1. Market performance

Indonesia has experienced sustained upward momentum in equity market capitalisation since the early 2000s. While year-on-year changes in market capitalisation exhibit periodic volatility driven by both domestic and global factors, the overall trend points to substantial long-term growth. This expansion has been particularly pronounced since 2022, with market capitalisation repeatedly reaching new record highs. In parallel, the number of listed companies has increased significantly over the past decade, rising by more than 50% from approximately 500 firms to over 900 by 2024.

***Figure 45: Equity Market Capitalisation & Listed Companies (1998-2023)***




*Source: WorldBank*

However, the depth, liquidity, and product diversity of Indonesia's capital market continue to lag behind those of other major ASEAN economies such as Singapore, Malaysia, and Thailand (Refer to Appendix 5). One factor contributing to Indonesia's limited market depth is the high concentration of equity market capitalisation, with the ten largest listed companies accounting for more than one-third of the IHSG's total value. This concentration implies that index performance and liquidity conditions are disproportionately shaped by a narrow set of sectors, primarily financials, energy, and mining, which expose the market more to sector-specific shocks.

***Figure 46: Top 10 Largest Market Cap Companies***

| No. | Ticker | Listed Stocks | Industries (NACE) | Market Capitalisation | |
|---|---|---|---|---|---|
| | | | | (USD mil) | % Mar Cap to IHSG |
| 1 | BREN | Barito Renewables Energy | Electricity Generation | 800,627 | 8.20 |
| 2 | BBCA | Bank Central Asia | Financials | 631,188 | 6.46 |
| 3 | DSSA | Dian S wastatika Sentosa | Electricity Generation | 529,514 | 5.42 |
| 4 | TPIA | Chandra Asri Pacific | Manufacturing | 400,116 | 4.10 |
| 5 | BYAN | Bayan Resources | Mining & Quarrying | 367,188 | 3.76 |
| 6 | DCII | DCI Indonesia | Data Centres | 352,347 | 3.61 |
| 7 | BBRI | Bank Rakyat Indonesia (Persero) | Financials | 345,099 | 3.53 |
| 8 | AMMN | Amman Mineral Internasional | Mining & Quarrying | 299,138 | 3.06 |
| 9 | BMRI | Bank Mandiri (Persero) | Financials | 278,933 | 2.86 |
| 10 | TLKM | Telkom Indonesia (Persero) | Telecommunications | 217,318 | 2.23 |

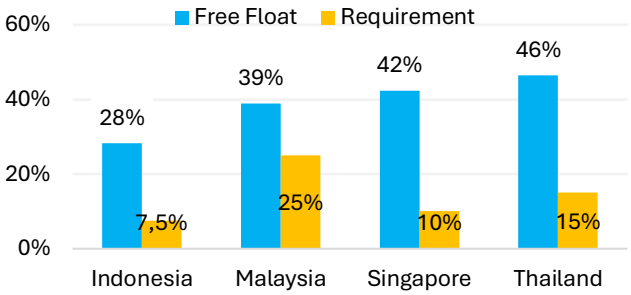
*Source: IDX, as of 30 November 2025*

Liquidity of Indonesia's equity market lack diversified as substantial share of trading activity is concentrated among mid-cap stocks. Although large-cap equities are typically associated with superior liquidity, reflected in higher trading volumes, tighter bid–ask spreads, and more stable turnover due to stronger institutional participation, trading intensity is frequently shaped by short-term dynamics beyond firm size. Heightened sectoral sentiment and sensitivity to global and domestic developments have generated elevated turnover in selected mid-cap stocks (Refer to Appendix 6 for Most active stocks by share of trading volume). Several factors contribute to this pattern of high trading frequency, notably large or readily accessible free floats, low nominal share prices, strong retail investor participation, and narrative- or event-driven trading.

**Free Float Minimum Requirement:**

Prior to 31 March 2026, Indonesia's minimum free-float requirement is 7.5 percent. This is low compared to regional peers such as Singapore, Malaysia, and Thailand (Refer to Appendix 7 for Free Float % Across Southeast Asia). Despite the low regulatory free-float minimum to date Indonesia's average effective free float is already around 28.2%, indicating that many listed firms exceed the previous requirement. However, Indonesia continues to trail regional peers such as Malaysia, Singapore, and Thailand, where higher free-float standards underpin deeper and more liquid equity markets.

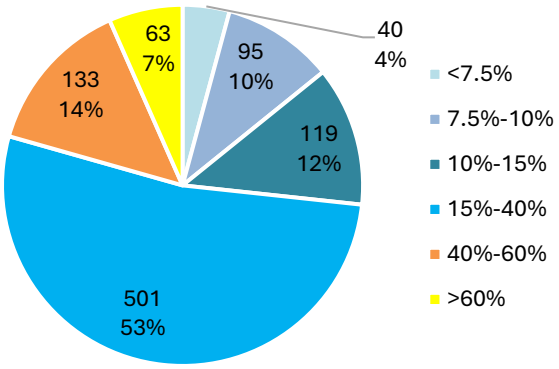
***Figure 47: Average Effective Free Float Across Countries***




*Source: IDX, MYX, SGX, SET*

***Figure 48: Free Float Distribution of Listed Companies***

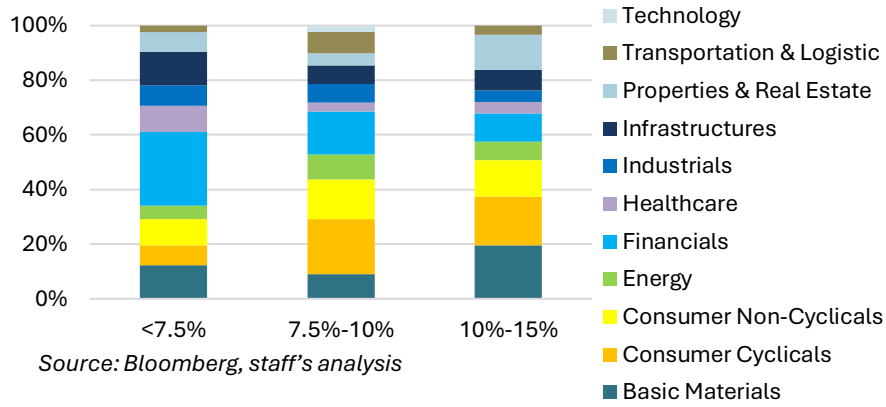
As of 31 March 2026, 40 listed companies remain below the previous regulatory threshold (7.5%), placing them in non-compliance. Under current Indonesia Stock Exchange regulations, issuers that fail to meet the minimum free-float requirement are placed on the Special Monitoring Board and assigned a special notation, signaling heightened regulatory and liquidity risks to the market. If an issuer remains on the monitoring board for a continuous period of one year without remediation, the Exchange may impose a trading suspension. A prolonged suspension of up to two years may ultimately result in forced delisting.




Beyond these non-compliant firms, regulatory transition risk extends to a broader group of issuers operating near the current threshold. A total of 95 companies maintain free-float levels between 7.5% and 10%, representing approximately 10% of listed firms, while a further 119 companies operate within the 10%–15% range. Under the regulator's policy change on 15% minimum free-float requirement, firms across both brackets would face heightened compliance pressure. This shifts the adjustment burden from a narrow group of marginally compliant issuers to a materially broader segment of the listed universe.

Sectoral breakdowns indicate that companies with a free float below 7.5% are most concentrated in the financial sector (20%), followed by basic materials and infrastructure (15%). A similar but broader pattern emerges for firms in the 7.5%–10% range, where consumer cyclicals (17%) and financials (17%) dominate, alongside consumer non-cyclicals (16%). Importantly, companies in the 10%–15% free-float bracket are concentrated in basic materials (18%) and consumer cyclicals (18%), followed by consumer non-cyclicals (17%), properties & real estate (14%), and financials (13%). This confirms that low free-float exposure spans multiple systemically relevant sectors rather than being confined to niche industries.

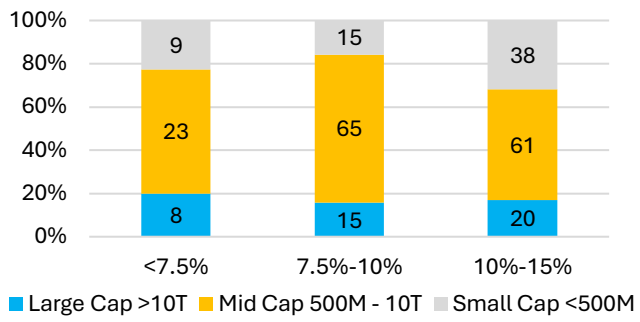
***Figure 49: Sector Composition by Free Float Categories***




*Source: Bloomberg, staff's analysis*

From a size perspective, firms below the current minimum free float threshold are predominantly mid-cap, with 59% falling within the IDR 500 billion–10 trillion market capitalisation range. This pattern is consistent across free float groupings. Among companies with a free float below 7.5%, mid-cap firms account for 58% of the total. Within the 7.5%–10% range, their share increases to 68%. In the 10%–15% bracket, mid-cap firms remain the largest group at 51%, although the proportion of small-cap companies rises to 32%, while large-cap representation remains limited at 17%. This composition indicates that adjustment pressures arising from the increase in the minimum free-float requirement to 15% are borne primarily by mid-cap issuers.

***Figure 50: Size Composition by Free Float Categories***




*Source: Bloomberg, staff's analysis*

Against this backdrop, policymakers have begun to consider targeted reforms to improve market liquidity and trading quality. One such measure introduced is the increase in the minimum free float requirement for listed companies. Indonesia's Financial Services Authority (OJK), through the Indonesia Stock Exchange (IDX), has announced a revised framework requiring companies to progressively achieve a minimum free float of 15% by 2027–2029, depending on their market capitalisation and current free float levels.

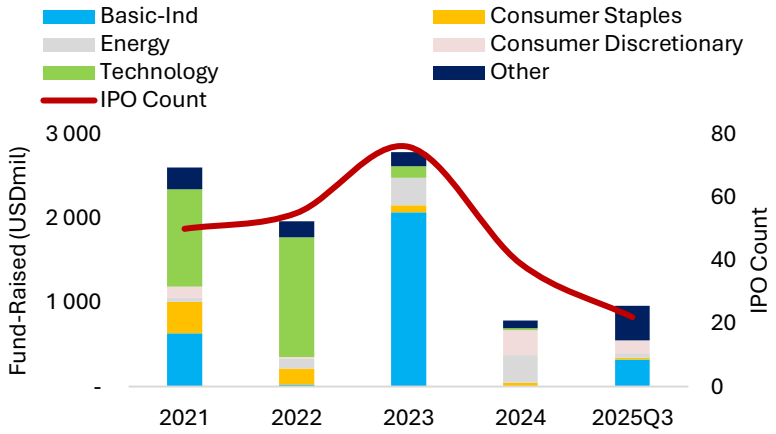
Under this framework, companies with a market capitalisation of at least IDR 5 trillion (as of 31 March 2026) and a free float below 12.5% are required to increase it to at least 12.5% by 31 March 2027 and further to 15% by 31 March 2028. Those within the same market capitalisation bracket with a free float between 12.5% and below 15% must meet the 15% threshold by 31 March 2027. Meanwhile, companies with a market capitalisation below IDR 5 trillion are required to achieve a minimum free float of 15% by 31 March 2029. The phased implementation reflects regulatory consideration of the significant capital adjustments required for companies to meet these thresholds, while gradually improving market liquidity and investor participation.

Although most listed companies already operate comfortably above current thresholds, as reflected in the large concentration of firms within the 15%–40% free-float range (501 companies), the distribution reveals a clearly defined, structurally vulnerable segment operating below the prospective 15% threshold. As a result, this increase in the minimum free-float requirement is unlikely to be systemic at the market-wide level. Still, it would have a targeted impact concentrated among mid-cap and small-cap firms, particularly in the financial, consumer-oriented, and basic materials sectors. Our estimates further suggest that this adjustment could require on the order of IDR 130 trillion (approximately USD 7.7 billion) in additional public share issuance, underscoring the significant capital implications of the reform.[25]

### 1.1.2. IPO Assessment

Regarding IPO trends, the market has experienced a significant decline in IPO activity over the past two years, with the market recording 67 fewer IPOs than the target of 128 listings (Please refer to Appendix 8 for IPO Realisation vs Target). In 2024, Indonesia's general election led corporates to adopt a "wait-and-see" approach, delaying strategic decisions and postponing capital market transactions. In 2025, weaker economic conditions, policy reorientation under the new administration, and escalating trade tensions further dampened IPO market sentiment. Against this backdrop, the sectoral composition of IPOs has varied considerably over time. Since 2021, basic industries have accounted for the largest share of IPO activity, while other sectors, particularly technology, energy, and consumer discretionary, have exhibited pronounced volatility. Consistent with global trends, Indonesia experienced a "technology winter" from 2023 onwards, marked by a sharp slowdown in technology-related IPOs. In the absence of technology listings, consumer discretionary firms contributed a larger share of IPO activity. Please refer to Appendix 9 for Top 20 Largest Fund-Raised IPO.

***Figure 51: IPO Count and IPO Fund-Raised by Sector (2021 – 2025)***




*Source: IDX*

***Figure 52: Top 10 Industries – number of listed companies (2022 – 2025)***

| Industries | No. of listing | % |
|---|---|---|
| Agricultural Products | 14 | 4.5% |
| Real Estate Management & Development | 14 | 4.5% |
| Coal | 9 | 2.9% |
| Logistics & Deliveries | 9 | 2.9% |
| Metals & Minerals | 8 | 2.6% |
| Processed Foods | 8 | 2.6% |
| Specialty Retail | 8 | 2.6% |
| Tourism & Recreation | 8 | 2.6% |
| Oil, Gas & Coal Supports | 7 | 2.2% |
| Auto Components | 6 | 1.9% |
| Others | 111 | 35.5% |

*Source: IDX*

**Trends in IPOs:**

- **Mid-Cap IPO Pathway:**

As in most jurisdictions, the pathway to an Initial Public Offering (IPO) requires substantial time, organisational

[25] Based on the closing market price on 31 March 2026

commitment, and regulatory compliance. Listing requirements are rigorous, reflecting regulators' objectives of safeguarding market integrity and protecting investors.

While the core benefits of going public are broadly consistent across markets, Indonesia offers several country-specific incentives to encourage listing. Listed companies that meet prescribed free-float and compliance criteria are eligible for a corporate income tax rate reduction of up to three percentage points. For shareholders, gains from shares traded on the Indonesia Stock Exchange (IDX) are subject to a final tax of 0.1% of gross transaction value, substantially lower than the personal income tax rate of up to 35% applicable to off-exchange share transfers.

***Figure 53: Process of Public Offering***




*Source: IDX*

In addition to fiscal incentives, the IDX employs a tiered board structure that differentiates firms by size, maturity, and risk profile, thereby supporting investor assessment and market segmentation. Listed companies are grouped into three boards: the Main Board, Development Board, and Acceleration Board.

***Figure 54: Listing Boards Comparison***

| | Main Board | Development Board | Acceleration Board |
|---|---|---|---|
| **Target Companies** | Large, well-established companies | Mid-sized and growing companies | Startups and SMEs |
| **Minimum Operating History** | At least 3 years | At least 1 year | More flexible |
| **Audited Financial Statements** | 3 years | 12 months | More flexible |
| **Minimum Shareholders** | At least 1,000 | At least 500 | More flexible |
| **Public Shares (Post-IPO)** | >= 300 million shares | >= 150 million shares | Not strictly specified |
| **Minimum Free Float** | Minimum 10%, increases as firm size grows | Minimum 10%, increases as firm size grows | 20% minimum |

*Source: IDX*

This tiered listing framework has several important implications. First, it enables smaller and growth-stage firms to access public equity markets earlier than in many jurisdictions where secondary boards exist in form but remain constrained by high listing thresholds, weak liquidity, or limited post-listing visibility. Second, the framework embeds a dynamic compliance pathway, under which firms are expected to strengthen governance, disclosure, and operational standards as they scale. Third, by facilitating IPO access for SMEs and startups, the framework supports financial deepening, reduces reliance on bank financing, and broadens participation in Indonesia's capital markets.

More broadly, the IDX's segmentation reflects a deliberate policy choice to balance capital market inclusiveness with investor protection. While differentiated listing requirements lower entry barriers for smaller firms, they also create distinct risk, liquidity, and delisting profiles across boards, underscoring the importance of robust post-listing supervision and informed investor risk assessment.

Evidence from recent IPOs suggests that IPO size and board classification alone are not reliable predictors of post-listing performance in Indonesia's capital market. Firms across large-, mid-, and small-cap categories have exhibited divergent post-IPO trajectories in valuation, liquidity, and investor perception. Please refer to Appendix 10 for Comparison between 4 sample firms in different boards and their post-IPO performance.

Post-IPO outcomes in Indonesia's equity market are shaped less by issuer size or listing board than by fundamentals, execution credibility, and earnings visibility. While large issuers typically benefit from stronger liquidity and market visibility, these factors can intensify market scrutiny rather than shield firms from valuation reassessment. In contrast, smaller and mid-sized issuers with credible growth narratives and improving execution tend to exhibit more resilient post-listing performance over time.

- **Dual-Listing and Cross-Listing**

A notable recent development in Indonesia's capital market is the growing use of cross-listing and dual-listing strategies as firms seek to access foreign capital markets and broaden their investor base. Cross-listing typically involves maintaining a primary listing on the Indonesia Stock Exchange (IDX) while also listing shares on a foreign exchange, most commonly through foreign Depositary Receipts: American Depository Receipts (ADRs), Global Depositary Receipts (GDRs), or Singapore Depository Receipts (ADRs), which are negotiable certificates issued by banks representing ownership of underlying shares. Dual listing, by contrast, entails maintaining two primary listings, each functioning as an active venue for trading and price discovery.

Historically, only a small number of Indonesian firms have established an international presence through dual-listing or cross-listing, with PT Telkom Indonesia being the most prominent example. Other notable issuers include Bank Mandiri, Bank Rakyat Indonesia (BRI), and Astra International, which have utilized SDRs to strengthen capital access, enhance trading liquidity, and expand their global investor reach.

More recently, PT Merdeka Gold Resources (EMAS) was reported to be exploring a potential dual-listing plan, including in regional financial centres such as Hong Kong. While the company has yet to disclose detailed public information regarding its motivations, EMAS's emergence as a prospective dual-listed issuer reflects renewed interest among Indonesian firms in overseas listings outside the United States. The Case studies on Dual-Listing and Cross-Listing could be found in Appendix 11.

- **Indonesia Stock Exchange (IDX) Demutualisation:**

Stock exchange demutualisation refers to the transformation of a stock exchange from a mutual, member-owned organisation, owned and governed by broker-members into a for-profit corporate entity with clearly separated ownership, management, and trading rights, typically through a public listing.

Exchanges pursue demutualisation primarily to gain access to capital for investments in trading technology, surveillance systems, clearing and settlement infrastructure, and regional or product expansion. The process also strengthens governance by reducing conflicts of interest inherent in mutual models, where brokers simultaneously act as owners, users, and rule-setters of the exchange. In addition, demutualisation enhances competitiveness by allowing exchanges to respond more effectively to globalisation, fintech innovation, and competition from alternative trading venues, while providing greater commercial flexibility to develop ancillary businesses such as market data, indices, clearing services, and post-trade solutions.

In Indonesia, the demutualisation of the Indonesia Stock Exchange is anchored in Undang-Undang Nomor 4 Tahun 2023 on Financial Sector Development and Strengthening (UU P2SK), enacted in January 2023. The law provides the legal foundation for strengthening financial-sector governance, deepening capital markets, and professionalising the governance of systemically important market infrastructure, with demutualisation envisaged as part of a broader reform agenda.

Implementation signals became clearer in late 2025. In November 2025, the Ministry of Finance confirmed that the government was formulating concrete plans to operationalise stock exchange demutualisation, and this commitment was reiterated in December 2025, with authorities indicating that the process was targeted to begin in the first half of 2026. Momentum accelerated in January 2026, when the Financial Services Authority stated on 27 January that demutualisation was targeted for completion within the same period. Shortly thereafter, MSCI released a report highlighting structural weaknesses in Indonesia's equity market, including low free-float levels and opaque ownership disclosures among listed companies. On 30 January 2026, the government announced that it would accelerate the demutualisation of IDX, explicitly framing it as a follow-up action to the concerns raised in the MSCI assessment.

By February 2026, interest from long-term institutional investors had begun to emerge. Danantara, Indonesia's sovereign wealth fund, indicated that it was monitoring progress closely and expressed its intention to consider investing in IDX once the exchange becomes a listed entity. The government also clarified that demutualisation could be implemented either through a private placement to selected investors or via an initial public offering, underscoring flexibility in execution while maintaining commitment to the reform.

**Potential implications:**

While demutualisation is intended to improve governance, transparency, and market depth, listing the exchange also introduces new risks that require careful management. As a for-profit entity, the exchange may face incentives to prioritise trading volumes over market quality, tolerate excessive short-term trading, or relax listing standards to attract issuers. The monetisation of market data and speed-based services may exacerbate information asymmetries, favouring larger market participants over smaller investors. In addition, vertical integration across trading, data, and post-trade services can create market-power concerns and conflicts of interest, as the exchange both sets market rules and profits from downstream activities.

Accordingly, strong governance and regulatory oversight are critical to ensuring that demutualisation achieves its intended objectives under UU P2SK. Clear accountability, independent board oversight, safeguards against conflicts of interest, and effective supervision will be central to balancing commercial sustainability with market integrity and investor protection.

### 1.1.3. Outlook

According to the Financial Services Authority (OJK), by November 2025 there are currently 13 firms in the IPO pipeline, comprising two small-asset companies, six mid-asset companies, and five large-asset companies. In addition, OJK has indicated that three "lighthouse" companies, defined as a firm with a minimum market capitalisation of approximately USD 180 billion and a minimum free-float requirement of 15%, are expected to be ready for listing on the IDX in 2026. These prospective issues are drawn from the mining, financial, and infrastructure sectors.[26]

However, not all pipeline candidates may successfully transition to a public listing. Several potential challenges include limited reporting sophistication. The cost of listing (encompassing underwriting fees, compliance expenses, and ongoing reporting obligations) can also be prohibitive for some issuers. Additionally, the need to upgrade governance structures, such as enhancing board composition, strengthening independent oversight, and meeting audit and risk-management requirements, may require organisational changes that firms are not yet prepared to undertake. Together, these factors illustrate that while the IPO pipeline is promising, sustained effort is needed to build issuer readiness and improve the quality of companies entering the public market.

## 1.3 Corporate Bond Market

The Indonesian corporate bond market experienced consistent expansion in both scale and participation, reflecting its gradual transition into a deeper and more mature credit market. The number of active issuers increased from 103 issuers in 2015 to 136 issuers by 3Q2025, indicating a broader corporate base increasingly relying on bond financing as a funding source. The value of outstanding corporate bonds more than doubled over the same period, rising from around USD 15.6 billion in 2015 to approximately USD 32.8 billion by 3Q2025. This expansion reflects not only growing funding needs from corporates but also strong investor absorption capacity.

***Figure 55: Number of Issuers***

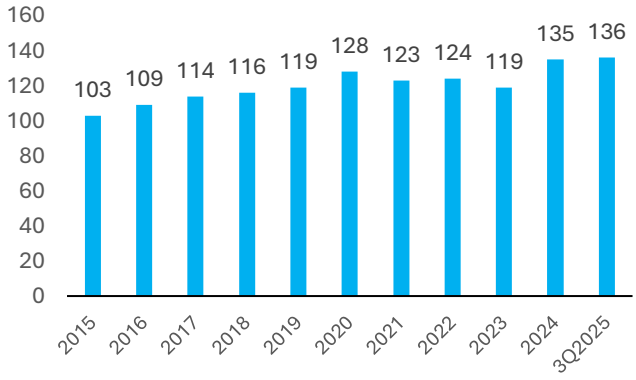
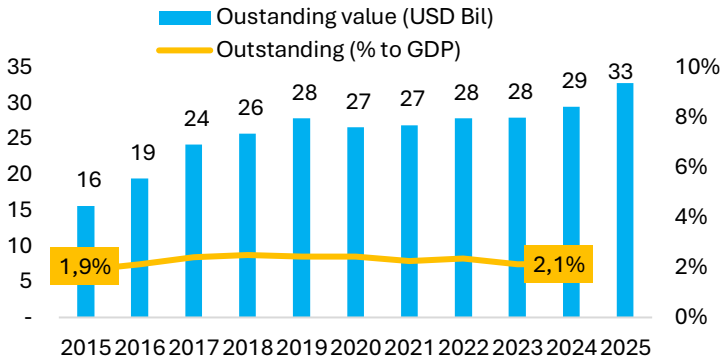



***Figure 56: Corporate Bond Market's Outstanding***




*Source: IDX, Staff calculations*

Indonesia's corporate bond market remains highly concentrated, with the Financials sector consistently accounting for the largest share of outstanding value. This reflects the structurally large funding needs of banks and multi-finance companies, making them the most active bond issuers in the market. Banks and multi-finance companies regularly refinance maturing obligations, positioning bonds as a recurring and reliable funding channel for liquidity management and balance-sheet optimization. Beyond Financials, the Infrastructure sector forms the second-largest share of outstanding bonds driven by long-term and capital-intensive projects that are well-suited to bond financing. Meanwhile, other sectors, such as consumer, industrials, property, and logistics account for only small portions of both outstanding value and new issuance. This indicates that, for non-financial corporates, bond issuance has not yet become a primary funding channel and remains secondary to bank lending and other financing sources.

***Figure 57: Outstanding value by sectors (%)***

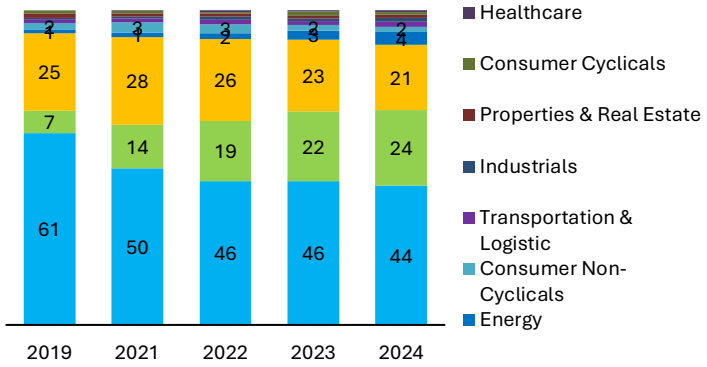
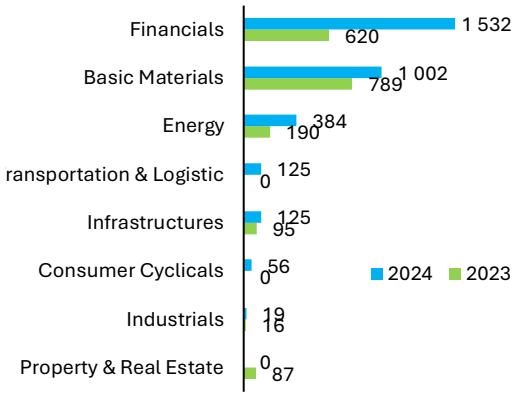



***Figure 58: Issuance by sectors (USD mil)***

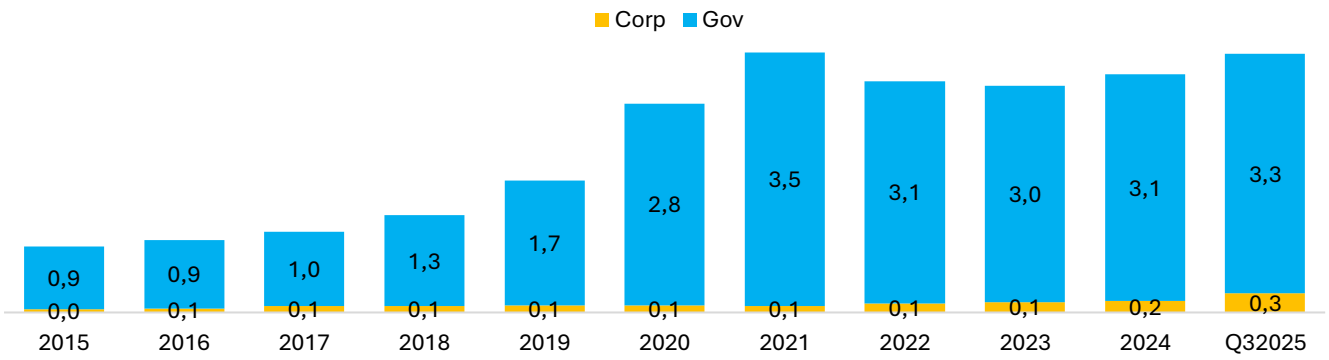



[26]https://www.indopremier.com/ipotnews/newsDetail.php?group_news=RESEARCHNEWS&halaman=1&jdl=BEI_Beri_Bocoran_Soal_3_Perusahaan_Raksasa_Siap_IPO

*Source: IDX, processed*

The tenor distribution of Indonesia's corporate bond outstanding indicates a clear dominance of short- to medium-term maturities. Bonds with tenors of 1–3 years and 3–5 years consistently account for the largest share of outstanding corporate bonds throughout the period. This pattern reflects strong investor preference, since largest investors in the corporate bond market are insurance companies and pension funds that prioritize shorter durations to manage liquidity needs and limit duration risk. In contrast, longer tenors, particularly bonds with maturities exceeding seven years remain limited and decline further toward 2024, highlighting a persistent structural aversion to long-duration exposure. Please refer to Appendix 12 for Bond outstanding by tenors.

***Figure 59: Daily Trading Value, 2019-Q3/2025 (USD Bn)***




*Source: IDX, Bloomberg, staff calculation*

Liquidity in Indonesia's corporate bond market has remained structurally weak for years, as trading frequency stays low, only around 90–200 trades per day while daily trading values remain in the USD 47–263 million range. Limited activity and shallow depth are seen, with the daily turnover ratio staying far below 1% throughout the period, indicating that only a tiny portion of corporate bonds change hands on any given trading day. As a result, bid–offer spread while reducing overtime but remains vast and volatile, from 3.99% in 2015 to 2.22 in 2024.

These patterns point to a market that does not function as a trading venue but rather as a long-term investment instrument for insurance companies and pension funds, which together hold around 43% of the market as of August 2025. In addition, the limited number of bonds available for trading is compounded by structural factors: corporate bonds are issued in relatively modest sizes, traded mostly OTC, and require large minimum lots, all which limit participation by a broader investor base. As a result, even when investors are willing to transact, the market lacks sufficient inventory to generate meaningful trading volume.

***Figure 60: New Names of Issuer***

| Comparison Period | Definition | Number Of New Issuers |
|---|---|---|
| 2021 vs 2019 | Issuers in 2021 that did NOT appear in 2019 | 23 |
| 2022 vs (2019 & 2021) | Issuers in 2022 that did NOT appear in 2019 or 2021 | 12 |
| 2023 vs (2019–2022) | Issuers in 2023 that did NOT appear in 2019, 2021, or 2022 | 13 |
| 2024 vs (2019–2023) | Issuers in 2024 that did NOT appear in 2019–2023 | 9 |

*Source: IDX, staff's calculations*

The number of new entrants in Indonesia's corporate bond market remains consistently low, as reflected by the declining count of "new names" each year. This trend indicates that only a narrow segment of companies is willing or able to tap the bond market for the first time. Key factors behind this pattern are the continued reliance of Indonesian corporations on bank financing, stringent regulatory and credit requirements[27]. In addition, this low number of new names is also driven by the fact that SMEs are structurally excluded from Indonesia's corporate bond market, as both public offerings and private placements are effectively accessible only to larger, established firms. Instead, SMEs are channeled into a separate securities crowdfunding framework under POJK No. 17/2025, which allows small-scale debt issuance under simplified procedures. While this framework improves access to financing for SMEs, it operates outside the corporate bond market. It therefore does not contribute to broadening the issuer base or deepening the corporate bond market.

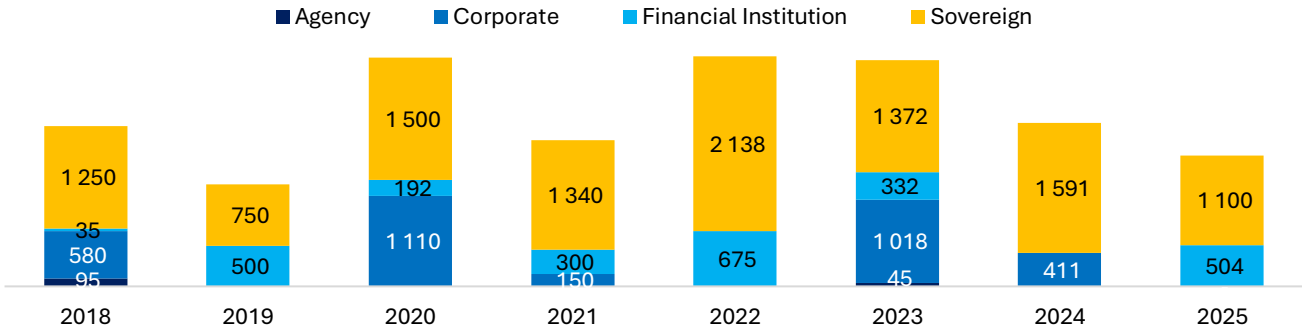
### 1.4 Thematic: Green/Sustainable Bonds in Indonesia

Indonesia's sustainable and green bond market is anchored by sovereign issuance. Over 2018-2025, sovereign bonds accounted for USD 11 billion of the total USD 16.99 billion in issuance, or around 65% of cumulative volumes. This consistent presence provides stability in market size and issuance patterns, supported by the green sukuk programme.

[27] Refer to POJK No. 30/POJK.04/2015, POJK No. 8/POJK.04/2017, and POJK No. 31/POJK.04/2015

Issuance outside the sovereign adds to overall volumes but is less evenly distributed across time. Participation, therefore, remains concentrated among issuers such as financial institutions with sufficient scale and capacity to meet prevailing issuance and reporting requirements.

***Figure 61: Green/Sustainable Bonds Value based on Issuer Type (USD Mn)***




This structure is closely linked to the market's currency profile. Issuance is predominantly denominated in foreign currency, amounting to USD 14.17 billion, compared with USD 2.82 billion in local currency, or roughly 83% of cumulative issuance. The pattern is consistent with issuance strategies aimed at attracting international investor participation. Regulatory frameworks, including sustainability reporting requirements, OJK's green taxonomy, and alignment with ASEAN standards, provide a clear baseline for eligible issuance. Please refer to Appendix 13 for Top 10 Green/Sustainable Bonds Issuer in Indonesia.

# II. Investor Base and Demand

**Key Messages:**

**The equity investor landscape** has shifted significantly due to rapid digitalisation, resulting in a surge of domestic retail participation that has diversified the market and reduced historical reliance on foreign capital. While this provides a buffer against global capital flight, retail dominance in daily trading introduces behavioral volatility, placing the burden of market stability on domestic institutional investors.

**Institutional equity engagement** is structurally constrained by a corporate landscape dominated by family conglomerates and State-Owned Enterprises (SOEs). Family-controlled firms often restrict public free floats, creating governance opacities and liquidity barriers. Simultaneously, massive SOEs crowd out private-sector visibility, absorbing a disproportionate share of available institutional capital and index weightings.

**In the fixed-income sector,** demand is heavily concentrated among domestic banks, insurers, and pension funds, which collectively hold over 90% of corporate debt. Prudential regulations compound this concentration by imposing higher capital charges and stricter investment-grade requirements on corporate bonds than on Government Securities (SBN). This regulatory framework effectively crowds out corporate borrowing and funnels institutional capital predominantly into sovereign instruments.

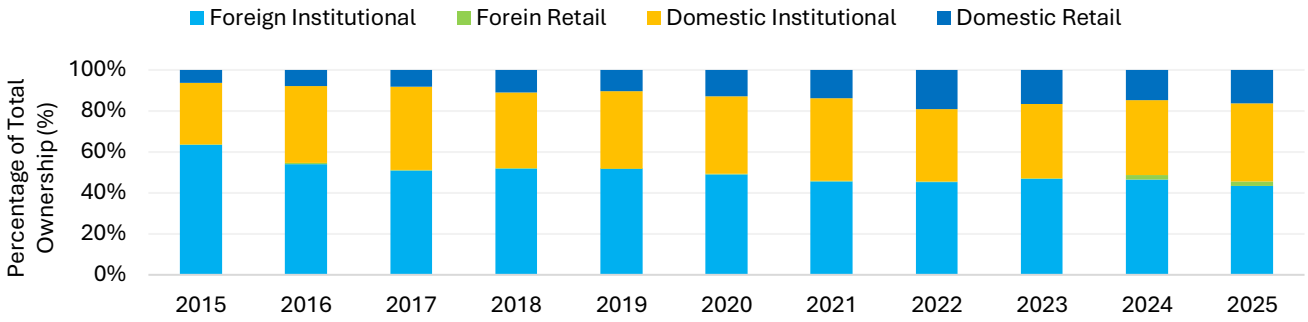
## 2.1. Equity market

### 2.1.1. Investors Composition

The investor landscape in Indonesia reflects a multi-tiered ecosystem comprising domestic institutional investors, such as insurers, pension funds, mutual funds, corporate treasuries, foundations, and banks, alongside foreign institutional investors and a rapidly growing retail segment. Each group plays a distinct role in shaping market dynamics: institutional investors typically provide stability and longer-term capital, while foreign investors contribute liquidity, valuation discipline, and market depth.

Over the past decade, the digitalisation of trading platforms, supported by the rapid expansion of online brokerages and mobile investment applications, has significantly reduced transaction frictions and broadened access to capital markets. This transformation has fuelled a sharp increase in retail investor participation. Both domestic and foreign retail investor participation has risen steadily over the past ten years, mainly at the expense of foreign institutional ownership.

***Figure 62: Trend of Equity Ownership (2015-2025)***

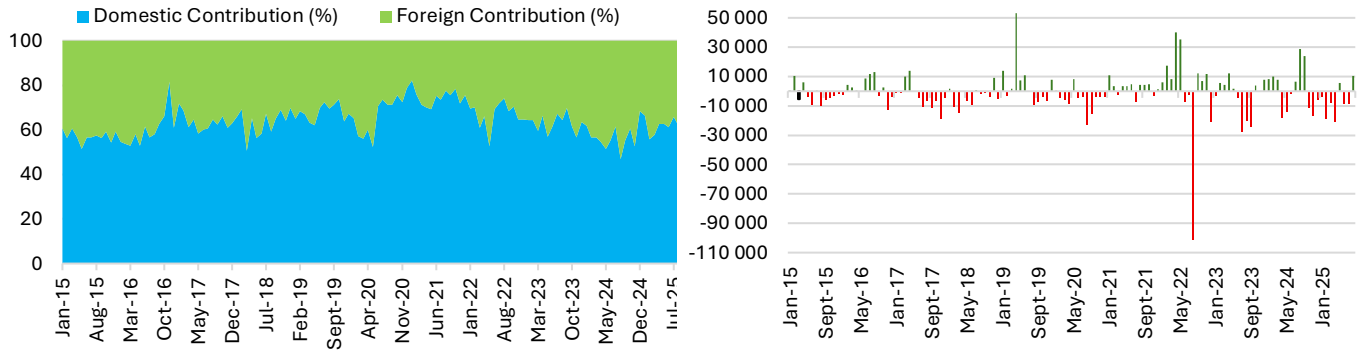



*Source: Indonesia Financial Services Authority - OJK*

While this expansion has helped deepen market activity and diversify the investor base, it has also introduced new sources of behavioural volatility. High-frequency trading by retail investors can amplify herd behaviour, momentum-driven trades, and short-term speculation, contributing at times to elevated price swings, especially in small- and mid-cap stocks with thinner liquidity.

Foreign investors have historically accounted for a substantial share of ownership in Indonesia's large-cap firms, with around 45%. However, foreign participation tends to be more reactive to global and regional developments than domestic investors. Shifts in global monetary conditions, currency volatility, geopolitical tensions, and broad risk repricing across emerging markets have periodically triggered episodes of capital outflow from Indonesia's equity market.

***Figure 63: Transaction Contribution and Net Foreign Flow***




*Source: Indonesia Financial Services Authority – OJK*

In recent years, increased domestic investor participation has helped offset these fluctuations, boosting market resilience and reducing dependence on foreign capital. While this trend is a positive sign for market stability, it also implies greater responsibility on the domestic investor base, particularly local institutional investors, to deepen their capabilities, expand their portfolios, and strengthen their role as long-term stabilising forces in the market.

### 2.1.2. Assessment of factors influencing investor demand and confidence in the equity market

**Indonesia's equity market is driven by families, conglomerate groups, and the state.** A significant portion of listed companies, especially in manufacturing, consumer goods, and property, remain controlled by founding families or conglomerates through majority shareholdings, cross-shareholdings, and pyramidal corporate structures. These arrangements often leave a relatively small free-float available for public trading, making it difficult for institutional investors to build meaningful positions. For newly listed firms, public float is often kept at the regulatory minimum of 7.5 percent, further limiting the tradable supply of shares. This governance uncertainty reduces the attractiveness of mid-cap and small-cap firms for both domestic and foreign institutional investors.

Indonesia's equity market is disproportionately shaped by the presence of SOEs, particularly in strategic sectors such as banking, telecommunications, energy, and utilities. Large SOEs, such as Bank Rakyat Indonesia (BRI), Bank Mandiri, Telkom Indonesia (Telkom), and state-linked resource or infrastructure companies, account for a significant share of the IDX's total market capitalisation. These firms are typically among the most liquid, widely held, and heavily researched stocks in the market, forming the core of major indices such as the IHSG and LQ45.

In addition, Indonesia's corporate landscape features extensive conglomerate-linked structures, where multiple listed entities fall under the same business group. Astra Group's cross-ownership arrangements, common across sectors such as property, retail, and finance, can create complex interdependencies among related companies. Please refer to Appendix 15 for the List of Companies in Astra Group.

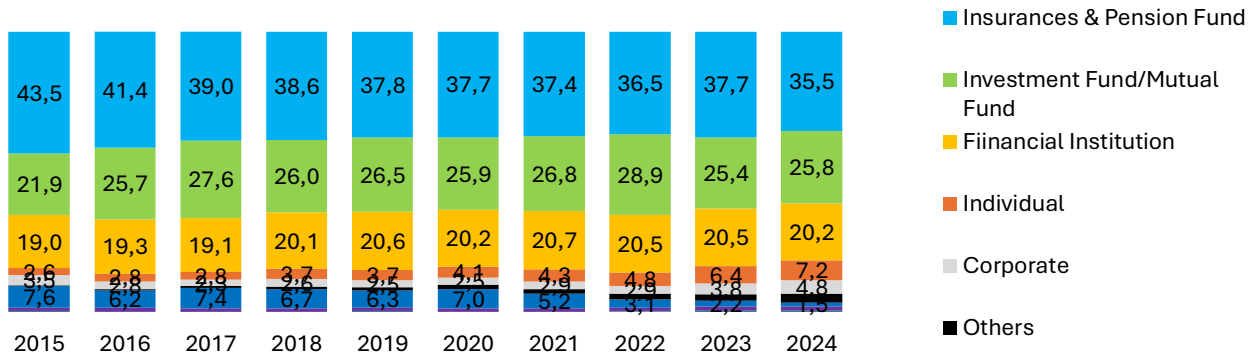
## 2.2. Bond market

### 2.2.1. Investors Composition

The development of the corporate bond market over the past decade is evident in the growing number of issuers and the increasing value of bond issuances. However, when viewed from the perspective of market activity, particularly in the secondary market, the dynamics remain relatively limited. Daily transaction volumes tend to be concentrated in a small number of highly rated, short- to medium-tenor series, while many other series are, in practice, rarely traded. The low turnover ratio, wide bid–ask spreads, and the tendency for price "jumps" (price gaps) when trades occur all indicate that market liquidity is uneven and price discovery has yet to function optimally.

This situation is closely linked to the narrow and homogeneous structure of the investor base. Domestic institutional investors, such as banks, insurance companies, and pension funds, hold more than 90% of corporate bond holdings. Their preference for cash-flow stability and long-term liability matching leads them to favour highly rated instruments with shorter tenors.

***Figure 64: Investor/ownership composition in corporate bonds (%), 2015-2025***




*Source: OJK, processed*

Foreign investor participation is also very limited – at around 1.5% - mainly due to thin liquidity, wide spreads, the lack of adequate hedging instruments, and relatively high withholding tax rates compared with peer countries.

***Figure 65: Minimum Investment Ticket Size by Bond Type***

| Bond Type | Minimum Investment |
|---|---|
| **RETAIL GOVERNMENT BONDS (ORI / SBN)** | IDR 1,000,000 (multiples of IDR 1 million) |
| **NON-RETAIL GOVERNMENT BONDS (FR – INSTITUTIONAL)** | IDR 1 billion+ (institutional investors) |
| **CORPORATE BONDS** | IDR 100 million+ |

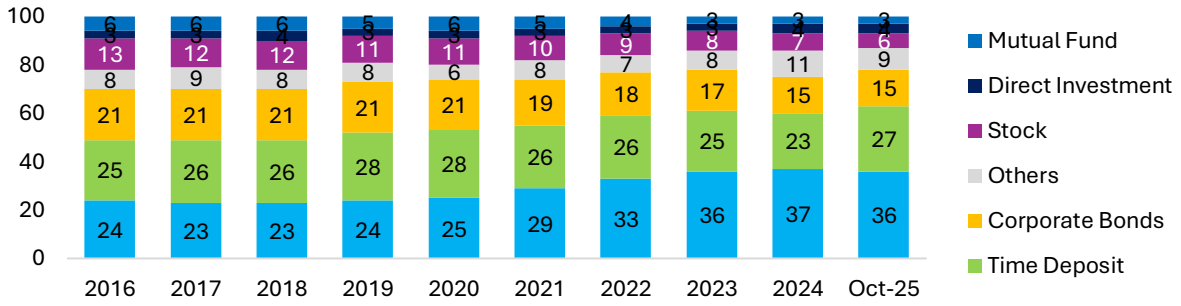
*Source: Market practice across major indonesian banks and brokerage platforms; staff compilation*

At the same time, retail investors have yet to emerge as a significant force in Indonesia's bond market, constrained by high minimum investment requirements, limited availability of user-friendly distribution platforms, and a lack of attractive, diversified retail products. Outside retail government bonds (ORI/SBN), investment thresholds for non-retail government and corporate bonds remain relatively high, limiting broader retail participation and reinforcing the concentration of the investor base.

### 2.2.2. Regulations That Affect Investors' Allocation

From the perspective of institutional investors, various prudential provisions in Indonesia's Financial Services Authority (OJK) regulations – covering pension funds, insurance companies, and other fund managers – in practice still classify corporate bonds as a higher-risk asset class than Government Securities (SBN). Please refer to Appendix 16 for a Summary matrix of the regulation (POJK Regulation No 27/2024 & POJK Regulation No.5/2023).

***Figure 66: Investment allocation of pension industries (%), 2015-2025***

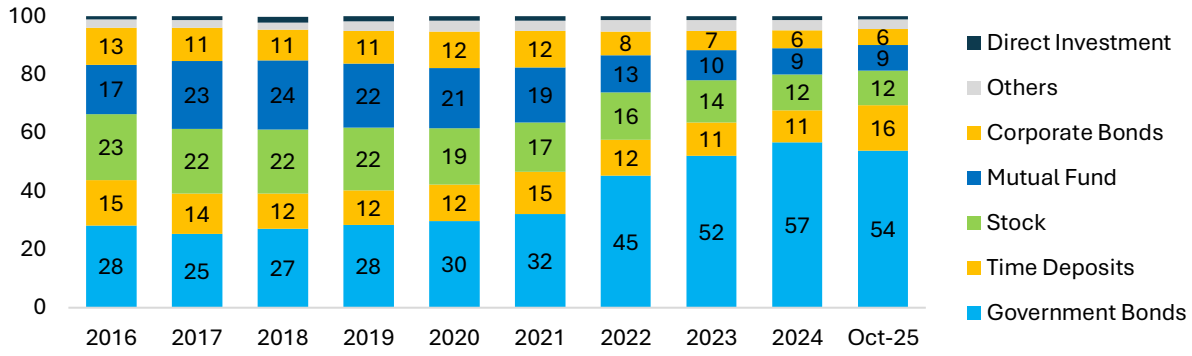



*Source: OJK, staff's calculation*

For pension funds, the OJK Regulation on Pension Fund Investments (originally POJK 3/POJK.05/2015 and its amendments, which were later integrated into a new framework through POJK 27/POJK.05/2023 on the Operation of Pension Funds) stipulates that corporate bonds may only be classified as admissible assets if they are listed on an

exchange and have an investment-grade rating, with concentration limits per issuer and aggregate limits for higher-risk instruments. These provisions de facto make room for non-investment-grade corporate bonds, or those not offered through a public offering, very limited in pension fund portfolios, so that corporate segments beyond large, well-known names tend to be less reachable.

***Figure 67: Investment allocation of insurance and reinsurance companies (%), 2015-2025***




*Source: OJK, staff's calculation*

In the insurance sector, a similar framework appears in POJK 71/POJK.05/2016 on the Financial Soundness of Insurance and Reinsurance Companies (and its latest amendment in POJK 5/POJK.05/2023). This regulation sets out the list of admissible assets and requires that corporate bonds recognised in the financial soundness calculation have at least an investment-grade rating, are traded through a public offering mechanism, and are subject to different risk factors from SBN in the calculation of capital adequacy/risk-based capital (RBC).

Within this framework, SBN are treated as very low-risk assets. In contrast, corporate bonds require a larger capital buffer and exhibit higher fair-value volatility than financial soundness ratios suggest. Those factors push institutional investment managers to prioritize SBN and quasi-sovereign instruments, while holding back expansion into a more diverse range of corporate bonds by rating and tenor.

At the same time, regulation obliges NBFI – including insurance companies, pension funds, finance companies, and special financial institutions – to allocate a minimum share of their investment portfolios to SBN as safe instruments and, at the same time, to support state budget (APBN) financing. Subsequent amendments expand the types of instruments that can be counted toward meeting SBN requirements, for example, investment in infrastructure SoE bonds/sukuk or infrastructure-based limited-participation mutual funds (RDPT) sponsored by SOEs.

In practice, institutional investment managers tend to allocate a large portion of their portfolios to SBN and instruments "recognized" as fulfilling SBN requirements, while corporate bonds – especially those outside high-rated names or government-affiliated issuers – are more often treated as high risk, as reflected in regulations.

# III. Intermediaries and Market Infrastructure

## 3.1. Market Infrastructure

### 3.1.1. Overview

Indonesia's equity market architecture is built around a coordinated ecosystem overseen by the Otoritas Jasa Keuangan (OJK). As the regulatory apex, OJK sets the framework for all capital-market activities, including listing rules, governance standards, and the supervision of self-regulatory organizations (SROs).

At the operational core of the equity market are Indonesia's three SROs: the Indonesia Stock Exchange (IDX), the Indonesia Clearing and Guarantee Corporation (KPEI), and the Indonesia Central Securities Depository (KSEI). The IDX serves as the central trading venue for equities, ETFs, and other instruments. KPEI acts as the CCP through a process known as novation, becoming the buyer to every seller and seller to every buyer, thereby managing counterparty risk and ensuring trade continuity. KSEI serves as the central securities depository, facilitating settlement, safekeeping of securities, and administration of corporate actions.

These institutions form a cohesive ecosystem responsible for listing, trading, clearing, settlement, and investor recordkeeping.

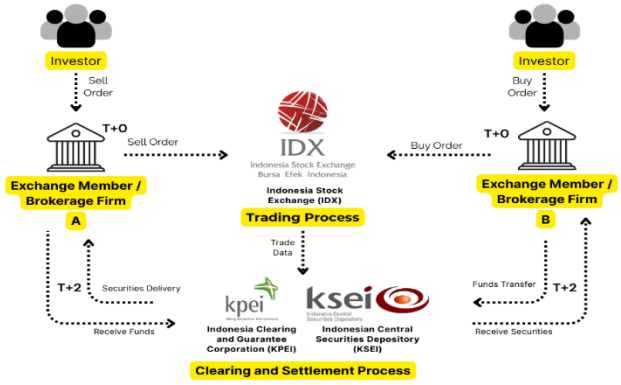



*Figure 68: Indonesia Capital Market Architecture*

### 3.1.2. Capacity and constraints

Indonesia's architecture, anchored by IDX, KPEI, and KSEI, has strengthened notably through digitalisation initiatives, the SID system, and retail-facing transparency tools such as AKSes. These developments have helped expand investor access and improve post-trade visibility. However, Indonesia's product range, especially in derivatives, remains narrower than those of its regional peers, which in turn influences the scope and sophistication of its clearing and settlement functions. While robust for its current market depth, Indonesia's architecture is still evolving toward the complexity seen in more advanced regional markets.

However, Indonesia stands out for its retail investor infrastructure, particularly the Single Investor Identification and digital-onboarding ecosystem, which exceeds the retail-focused capabilities in Malaysia and Thailand and, in some respects, even Singapore. Yet Indonesia's next stage of development will require strengthening its derivatives ecosystem, enhancing cross-border interoperability, and deepening its institutional-investor foundations.

## 3.2. Intermediaries

### 3.2.1. Equity market

Intermediaries perform a fundamental role in capital formation, facilitating issuance, pricing, placement, market access, and investor outreach. In Indonesia's equity market, brokerage firms serve as the primary gateway for investors to access the IDX. Brokers act as agents, executing client orders, routing trades, and ensure compliance with rules on execution, transparency, and reporting.

Underwriters are central to the capital-raising process, particularly IPOs. They advise companies seeking to list on IDX by conducting due diligence, preparing regulatory filings, and determining appropriate pricing strategies. Underwriters also manage the bookbuilding process, allocating shares to investors and gauging demand. Their role is crucial in ensuring that new listings are successfully placed in the market, that issuers meet disclosure and governance requirements, and that investors receive adequate information to make informed assessments.

In general, leading houses such as Mandiri Sekuritas, BRI Danareksa Sekuritas, and Trimegah Sekuritas, maintain dedicated institutional sales and trading desks, experienced ECM and underwriting teams, and in-house equity research covering major sectors and large-capitalisation stocks. These firms have a solid track record in executing block trades, managing IPOs and follow-on offerings, and facilitating corporate access for domestic and foreign asset managers, pension funds, and sovereign-linked investors. Backed by strong local distribution networks and close relationships with issuers and regulators, they combine deep market knowledge with improving trading and settlement infrastructure to support institutional participation in Indonesia's primary and secondary equity markets.

***Figure 68: Underwriters in the Last 5 Years IPO***

| Rank | Underwriter | IPOs | Total Proceeds (USD mil) | Market Share (%) |
|---|---|---|---|---|
| 1 | Mandiri Sekuritas | 13 | 1,437.12 | 20.5 |
| 2 | Trimegah Sekuritas | 12 | 845.07 | 12.1 |
| 3 | Credit Suisse Securities Indonesia | 5 | 575.07 | 8.2 |
| 4 | Indo Premier Sekuritas | 7 | 456.65 | 6.5 |
| 5 | CLSA Sekuritas Indonesia | 7 | 366.89 | 5.2 |
| 6 | BNI Sekuritas | 3 | 291.38 | 4.2 |
| 7 | Morgan Stanley Sekuritas Indonesia | 2 | 286.00 | 4.1 |
| 8 | UOB Kay Hian Sekuritas | 25 | 251.90 | 3.6 |
| 9 | Ciptadana Sekuritas Asia | 9 | 191.59 | 2.7 |
| 10 | CGS International Sekuritas Indonesia | 9 | 188.53 | 2.7 |
| 11 | Henan Putihrai Sekuritas | 3 | 175.37 | 2.5 |
| 12 | DBS Vickers Sekuritas Indonesia | 5 | 163.54 | 2.3 |
| 13 | NH Korindo Sekuritas | 22 | 154.49 | 2.2 |
| 14 | UBS Sekuritas Indonesia | 2 | 147.33 | 2.1 |
| 15 | Sinarmas Sekuritas | 3 | 136.63 | 2.0 |

*Source: IDX, staff compilation*

**Constraints of Intermediaries:**

| | |
|---|---|
| **Concentration Level in Underwriting** | The underwriting landscape in Indonesia remains relatively concentrated among a small number of large securities firms, particularly during high-profile or large-cap IPOs. This concentration limits the competitive dynamics needed to drive innovation in deal structuring, pricing efficiency, and investor outreach. Smaller underwriters often lack the scale, distribution networks, or reputational strength to compete for sizeable mandates, resulting in repeated reliance on a handful of dominant players. For issuers, this concentration can translate into less negotiating power on fees and terms, |

| | |
|---|---|
| | as well as reduced diversity in underwriting approaches.<br>Underwriters with limited networks or specialisation tend to place shares with familiar institutional clients, reducing broader investor participation and potentially affecting aftermarket performance. Over time, these patterns can contribute to a perception of uneven capital-raising opportunities, especially for mid-sized firms that may not meet the commercial thresholds of top-tier underwriters. Broadening the underwriter base and strengthening capacity across more institutions would help deepen the ecosystem and support a more vibrant pipeline of listings. |
| **Liquidity Issues** | Liquidity challenges persist across many segments of Indonesia's equity market, particularly among mid- and small-cap issuers. Thin trading volumes and wide bid–ask spreads make it difficult for investors to enter or exit positions efficiently, dampening market participation and discouraging institutional investors who require consistent liquidity for portfolio rebalancing. This illiquidity often reinforces a self-perpetuating cycle: lower participation leads to even lower volumes, which further reduces incentives for analysts, brokers, and market-makers to focus on these stocks.<br>Intermediaries struggle to deepen liquidity without improvements in free-float levels, market-making incentives, and broader issuer engagement. The relatively low minimum free-float requirement (7.5%) exacerbates liquidity fragmentation, as a significant portion of shares remain locked within controlling shareholders. |
| **Information asymmetry** | Limited research coverage for mid- and small-cap firms: Broker-dealers and research houses tend to prioritise large-cap issuers due to higher institutional interest, better liquidity, and commercial relevance. As a result, smaller listed firms are often under-researched, creating information asymmetry that deters sophisticated investors and elevates perceived risk. Without adequate analyst coverage, price discovery weakens, valuations become less reliable, and investor confidence diminishes.<br>This lack of research coverage also feeds into a broader developmental constraint: many smaller issuers do not receive the visibility needed to attract institutional capital or sustained trading interest. For intermediaries, the economic incentive to cover small-cap stocks remains limited without sufficient trading activity or fee generation. Regulatory or exchange-supported research programs, analyst-training initiatives, or sponsored-research schemes could help bridge this gap and promote more inclusive capital-market growth. |
| **Price discovery and transparency** | Price discovery in Indonesia's equity market is generally robust for large, liquid stocks. When volumes are low, a small number of trades can disproportionately influence price movements, leading to greater volatility and potentially inaccurate valuation signals. Limited participation from institutional investors further reduces competition among informed traders, making prices less reflective of fundamentals. This environment complicates intermediaries' task, as they depend on efficient price discovery to deliver high-quality execution and advisory services.<br>Transparency challenges also emerge in pre-trade and post-trade information dissemination, corporate disclosures, and the timeliness of market updates. While disclosure standards have improved, varying levels of reporting quality among smaller issuers can impair the flow of fundamental information needed for informed pricing. Enhancing real-time market data access, strengthening corporate reporting requirements, and incentivising issuers to improve disclosure quality would support intermediaries and reinforce a fairer, more efficient marketplace. |

### 3.2.2. Bond market

**Underwriters:**

Indonesia's bond underwriting landscape remains highly concentrated, with deal flow dominated by a small group of large, bank-affiliated and state-linked securities houses. The top five underwriters alone account for 57.7% of total market share, underscoring the dominance of a limited number of players in the market. Leading institutions include Indo Premier, Trimegah, Mandiri Sekuritas, BRI Danareksa Sekuritas, and BNI Sekuritas.

***Figure 69: Top Bond's Underwriter (%)***

| Underwriter | Market Share (%) |
|---|---|
| INDO PREMIER | 15.15% |
| TRIMEGAH | 12.10% |
| MANDIRI SEKURITAS | 11.47% |
| BRI DANAREKSA | 10.40% |
| BNI SEKURITAS | 8.59% |

*Source: Bloomberg Bond League Table*

Issuance activity continues to rely heavily on a syndication-led model, where the Penjamin Pelaksana Emisi and co-underwriters share allocation and distribution responsibilities. This structure reflects both regulatory practices and the need to mobilize investor demand efficiently, particularly for large-scale issuances. Despite fluctuations in quarterly issuance volumes, the overall outstanding stock of corporate bonds continues to increase, indicating a relatively stable underlying demand base. In this environment, distribution capability and investor reach, rather than the sheer number of underwriting mandates, have emerged as a key differentiator among underwriters.

**Credit Rating Agencies:**

Indonesia operates a robust and mandatory credit rating framework for its corporate bond market. Regulations issued by Otoritas Jasa Keuangan require all public debt securities to obtain a credit rating prior to issuance. As a result, nearly all IDR-denominated corporate bonds carry a formal rating. The market is served by three licensed agencies: PEFINDO, the dominant domestic provider, and Fitch Indonesia and Kredit Rating Indonesia. Credit ratings function as core market infrastructure, shaping investment eligibility for regulated institutional investors such as banks, insurers, and pension funds, while also acting as a screening mechanism for issuers seeking access to the bond market.

In practice, the corporate bond issuance process in Indonesia follows a sequential flow, starting with the preparation of audited financial statements, engagement with underwriters, credit rating assessment, and regulatory approval before market placement. From an execution perspective, credit rating agencies do not constitute a binding supply-side constraint. PEFINDO has sufficient analytical capacity, standardised methodologies, and service level timelines that are generally aligned with issuance needs, and the rating process itself rarely becomes a source of delay. Instead, constraints arise from the broader issuance ecosystem, particularly the synchronization of audit, rating, and

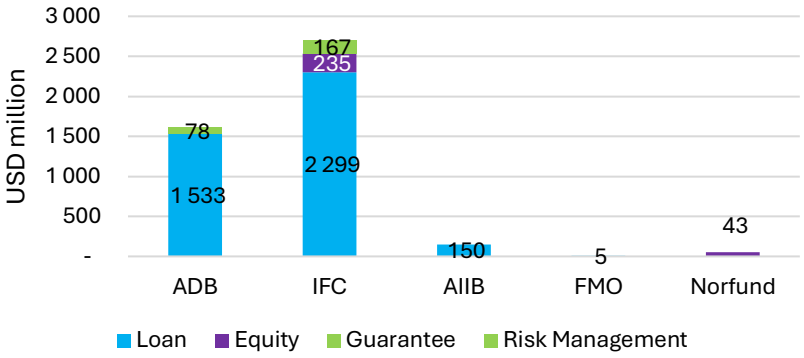
regulatory processes, seasonal issuance windows tied to financial reporting requirements, and conservative investor preferences that concentrate demand on single-A and above instruments. This demand structure shapes issuer behavior and limits issuance in lower-rated and more diverse credit segments.

While credit ratings serve as the primary reference for some investors, asset managers typically adopt a more comprehensive approach when assessing the investability of corporate bonds. Ratings issued by PEFINDO are an important input but are not sufficient on their own, particularly for new issuers and longer-tenor bonds, which require more extensive analysis. Accordingly, asset managers rely on proprietary credit assessment models and internal due diligence frameworks to determine whether corporate bonds meet their investment criteria.

# IV. Synthesis of DFI Interventions

Across the DFIs reviewed, loans (including syndicated and blended-finance structures) dominate in both frequency and ticket size, underscoring their role as the primary channel for capital deployment. Equity investments form a secondary but meaningful component, while guarantees and risk-management instruments play a more limited, targeted role, primarily within ADB and IFC operations.

***Figure 70: Composition of DFI-Recorded Deals in Indonesia, by Product Type[28]***




Since 1968, IFC has invested billions of dollars in Indonesia, with cumulative financing exceeding USD 10 billion, demonstrating its commitment to building sustainable markets. Beyond direct capital, IFC has supported Indonesia's first green taxonomy, established green building codes, and facilitated the country's first sustainable bond programme through its investment in OCBC NISP, inspiring confidence in its long-term impact.

IFC's portfolio in Indonesia is predominantly loan-based, with equity investments accounting for a smaller but occasionally significant share. Approximately two-thirds of IFC's exposure is channeled through the financial sector, reflecting its emphasis on intermediate finance and capital-market deepening. At the same time, around 10 percent is allocated to sectors such as tourism, retail, and property.

ADB's engagement in Indonesia has historically focused on sovereign public-sector support, particularly in infrastructure and energy. Nevertheless, ADB has also built a meaningful non-sovereign investment portfolio, amounting to approximately USD 2.2 billion as of April 2025, comprising private-sector project financing and technical assistance. These non-sovereign operations are concentrated largely in the energy sector, where long tenors and risk-sharing structures are critical to mobilising private investment. In contrast, AIIB's engagement in Indonesia remains predominantly sovereign; based on publicly available project data, only one non-sovereign transaction has been recorded to date, the Indonesia Multifunctional Satellite PPP Project, with a total commitment of approximately USD 135 million.

Taken together, non-sovereign DFI investment represents an important but targeted pillar of Indonesia's financing landscape. These investments are typically deployed without sovereign guarantees and are concentrated in areas where commercial capital faces constraints related to risk perception, project novelty, or long investment horizons. The primary value-add of DFIs lies in their catalytic role: anchoring transactions, providing long-tenor debt or equity, applying robust ESG standards, and crowding in private co-financing.

This is most evident in sectors aligned with Indonesia's long-term development and transition priorities, including infrastructure (transport, digital, and logistics), renewable energy, financial institutions, and corporate transition finance. Overall, non-sovereign DFI investment contributes to market building rather than market replacement, helping to establish transaction track records, strengthen investor confidence, and support the gradual expansion of sustainable and transition-oriented capital markets in Indonesia.

**Credit Enhancement Mechanism**

Firms exhibit heterogeneous risk profiles arising from differences in industry characteristics, operational structures, ownership arrangements, and development stages. As a result, even firms within the same sector can face materially different risk exposures, which in turn affect their credit ratings. While certain sectors and repeat issuers are able to achieve high credit ratings, other firms—despite having sound fundamentals and the capacity to service interest and principal obligations—may face more stringent requirements to attain similar ratings.

To address this gap between underlying creditworthiness and rating outcomes, bond markets have developed various structuring solutions, including tranche structures and credit enhancement or guarantee mechanisms. These tools

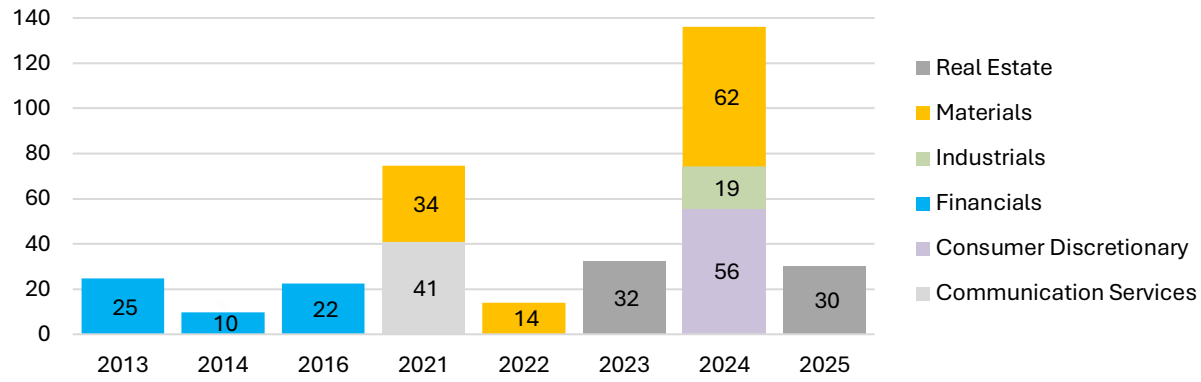
[28] Based on published data: (1) IFC within 2016 – 2025; (2) ADB within 2007 -2024

help mitigate perceived credit risk, broaden the investor base, and improve market access for issuers that may otherwise face rating-related constraints.

In Indonesia, several financial institutions provide such guarantees, either on a partial or full basis. One key provider of credit enhancement is the Credit Guarantee and Investment Facility (CGIF). Established in November 2010, CGIF aims to promote financial stability and support long-term investment in the ASEAN+3 region, comprising ASEAN member states, China, Japan, and South Korea.

The number of corporate bonds guaranteed by CGIF has fluctuated over time, with 2024 recording the highest level of guaranteed bond issuance. These guarantees were concentrated primarily in the materials, industrials, and consumer discretionary sectors, reflecting CGIF's role in supporting issuers in capital-intensive and cyclical industries. This fluctuation of the CGIF-guaranteed bond issuance reflects the facility's counter-cyclical role and issuer-driven demand rather than a fixed or quota-based mandate. Guarantee activity tends to increase during periods of heightened market uncertainty or tighter credit conditions, when credit enhancement is most effective in improving pricing and market access, and to moderate when issuers can access bond markets without additional support. Sectoral investment cycles, rating threshold dynamics, and CGIF's own portfolio risk management considerations further contribute to the observed fluctuations.

***Figure 71:*** **Guaranteed Bonds by CGIF by Sector (Indonesia) (USD million)**




*Source: CGIF, processed*

**Gaps & Opportunities Analysis**

| Gaps | Opportunities |
|---|---|
| **Bank- and sovereign-centric financing structure**<br>Indonesia's financial system remains heavily reliant on bank lending and government securities, limiting the role of capital markets in financing long-term corporate and infrastructure needs. This constrains risk diversification and places pressure on bank balance sheets. | **Develop the "missing middle" of market instruments**<br>Scaling project bonds, infrastructure-linked securities, and structured credit instruments can bridge the gap between bank loans and bonds. These instruments would enable non-SOE corporates and projects to access long-tenor, market-based financing. |
| **Shallow and illiquid corporate bond market**<br>Corporate bonds are largely held to maturity by domestic institutions, resulting in weak secondary liquidity and limited price discovery. This reduces investor confidence and discourages broader market participation. | **Strengthen liquidity and market plumbing**<br>Introducing market-making incentives and expanding repo eligibility for high-quality corporate bonds can improve tradability and price transparency. Better clearing, settlement, and trading infrastructure would further support market depth. |
| **Narrow and conservative investor base**<br>Pension and insurance assets remain small relative to GDP, and existing prudential rules incentivise allocations toward sovereign bonds over private credit. This limits demand for diversified capital-market instruments. | **Broaden institutional demand for private assets**<br>Enable pension funds and insurers to increase allocations to private and long-tenor assets by recalibrating risk weights, allowing greater use of credit enhancement and guarantees, and explicitly recognizing infrastructure, project bonds, and transition instruments as eligible long-term investments. |
| **Concentrated and bespoke sustainable finance market**<br>Sustainable and ESG-linked instruments are concentrated among a small number of large issuers, with high structuring costs limiting replication. This constrains scale despite strong transition financing needs. | **Standardise and scale sustainable and transition finance**<br>Expanding sustainability-linked and transition bonds, green sukuk, and green securitisations using standardised templates can reduce issuance costs. DFI anchoring can help crowd in private capital and build repeatable pipelines. |

# E. Gap Analysis

## 1. Barriers to issuers to access public markets

Across Vietnam, the Philippines, and Indonesia, common barriers to listing include IPO costs, stringent corporate governance and disclosure requirements, and concerns over post-listing liquidity and price volatility. In comparison, Indonesia and the Philippines tend to impose higher free-float and transaction-related burdens, whereas Vietnam offers relatively lower entry thresholds, especially via UPCoM, but still faces similar post-listing liquidity challenges.

| Barriers | Vietnam | Philippines | Indonesia | Comparison |
|---|---|---|---|---|
| **Listing costs** | Companies must pay fixed listing registration and management fees depending on the listing value, plus annual membership fees to the exchanges. However, these fees are minimal, only up to 0.005% of the listing value.<br>The total listing costs, including underwriting, legal, audit, valuation, etc. could reach about 5% of the issuance value. | Companies must pay initial and ongoing listing fees as percentages of the market capitalisation (0.1% for the initial listing fee and 0.001% for the annual listing fee). These costs make up a limited amount of the total. The highest costs are attributed to underwriting and legal fees. When combining these expenses, the total could reach around 5-6% of the issuance value.<br>Issuers are also incurred with the documentary stamp tax on share issuance of 0.75%. It has recently been reduced from 1% to encourage more listings. | Companies must pay initial and ongoing listing fees as percentages of the market capitalisation (0.1% for the initial listing fee and 0.05% for the annual listing fee). There is a minimum and maximum amount. The total costs, including listing, administrative, legal, and advisory costs are about 5% of the issuance value.<br>A one-time fixed stamp duty of IDR10,000 (USD0.6) per document is applied. This is a small amount and does not scale with the issuance size. | The total IPO expenses of around 5% of the issuance value can constitute a barrier for smaller companies with limited financial capacity.<br>In addition, Vietnam, Indonesia, and the Philippines do not currently offer IPO fee support programmes comparable to those in Singapore, where companies are eligible for co-funding of qualifying expenses.<br>Also, in the Philippines, an additional Documentary Stamp Tax of 0.75% of the issuance value is levied, which can further affect the attractiveness of public listings. |
| **Corporate governance & disclosure requirements** | Listed companies on HOSE and HNX must comply with Vietnam's Law on Securities and Law on Enterprises, including requirements on board structure, internal controls, shareholder rights, and periodic corporate governance reporting. They are subject to strict disclosure obligations, covering quarterly, semi-annual and annual financial statements, corporate governance reports, and timely disclosure of material events. | On corporate governance and disclosure, listed companies in the Philippines must comply with robust ongoing reporting obligations. These include regular annual and quarterly financial statements, timely notification of material events, and adherence to board composition and governance standards. | Listed companies on the IDX must comply with OJK regulations and IDX listing rules, which set requirements on corporate governance, including a two-tier board structure (Board of Commissioners and Board of Directors), independent commissioners, an audit committee, and internal control and risk management frameworks. Issuers are required to disclose periodic financial reports, as well as promptly disclose material events. | Overall, corporate governance and disclosure requirements reflect shared regulatory objectives to strengthen risk management, transparency, and investor protection among listed companies.<br>However, these requirements tend to pose greater challenges for family-owned businesses in the Philippines and Indonesia than in Vietnam. Vietnam's framework prioritises transparency and gradual governance improvement, while still allowing controlling shareholders to remain dominant. This makes IPOs less structurally disruptive for family-owned firms compared to Indonesia and the Philippines. |
| **Financial requirements** | A company must have a minimum charter capital of VND120 billion (USD4.6 million) for HoSE and VND30 billion (USD1.1 million) for HNX, profitable for 2 consecutive years before listing and no accumulated losses.<br>For UPCoM, the minimum charter capital is VND10 billion (USD0.4 million) and there is no profitability requirements. | To be eligible to be listed on Main Board of PSE, a company must have a cumulative income of Php75 million (USD1.3 million) for three years and a minimum net income of Php50 million (USD0.9 million) for the most recent year. The charter capital must be at least Php500 million (USD9 million).<br>For SME Board, the cumulative EBITDA and sales requirement is Php15 million (USD0.3 million) and Php150 million (USD3 million) at least for the last 3 years, respectively. The charter capital must be at least Php25 million (USD 0.4 million). | To be eligible to be listed on the Main Board of IDX, a company must meet at least one of the financial thresholds such as minimum net tangible assets, profitability, significant revenue levels, total assets, or positive operating cash flows combined with minimum market capitalisation benchmarks.<br>For the Development or Acceleration Boards (for smaller or growth-oriented companies), the financial requirements are more flexible, allowing companies with lower net tangible assets to list. | Although the requirements for listing on UPCoM/SME Board/Development of Acceleration Board are less stringent than the Main Board, they are still challenging and can discourage growth-oriented or small-sized firms to go listed. By the end of 2025, the SME Board in the Philippines hosted only 10 companies.<br>The Philippines imposes strict profitability thresholds for companies to be listed, which can be considered more stringent than Vietnam and Indonesia. Vietnam requires companies to be profitable to be listed on HoSE or HNX with no specific thresholds, while Indonesia allows unprofitable companies to list if they meet alternative criteria. |

| | | | | |
|---|---|---|---|---|
| **Post-listing uncertainty** | Potential issuers reportedly have concerns over the possibility of low post-listing liquidity or volatile valuations:<br>• Small companies that are only eligible for UPCoM offerings take into consideration the low liquidity on UPCoM. Many investors tend to avoid investing on UPCoM due to its thin trading and weak price discovery.<br>• Tech start-ups remain excluded from IPOs over the concerns on Vietnam investors' favour for liquid stock and quick profit realisation rather than growth-oriented names.<br>• Unlike Philippines and Indonesia, Vietnam does not have a price stabilisation measure in the form of over-allotment (greenshoe) option. | • Founders often have unrealistic valuation expectations based on historical highs, while the market demands an "IPO discount" due to high interest rates.<br>• Weak liquidity on the Philippines stock market raises concern of price volatility in IPO aftermarkets.<br>• The current high minimum public float requirement is 20% has been cited as a significant barrier for potential large IPOs, as it could amplify the post-listing risks. However, new tiered public float requirements have been introduced to make IPOs more flexible (the rates now range from 12% to 33%, depending on the firm's size. | • Investor behaviour is particularly influential, where heightened investor attention has been linked to increased post-IPO price volatility, underscoring the sensitivity of newly listed stocks to speculative trading dynamics.<br>• Indonesia just raised its minimum free-float requirement for listed companies gradually to 15% from 7.5%, starting 31 March 2026. Despite the higher requirement, this is expected to naturally select companies that are ready to enter the capital markets, thus improving the IPO quality. | Post-listing liquidity and share price volatility remain common concerns for prospective IPO candidates across all three countries.<br>However, these risks are partially mitigated in Indonesia and the Philippines, where regulators permit the use of price stabilisation mechanisms, typically via a greenshoe (overallotment) option, allowing underwriters to over-allot up to 15% of the base offer and repurchase shares during a 30-day stabilisation period to support post-listing prices.<br>In Vietnam, while there is no formal regulation permitting short selling for greenshoe-based stabilisation, similar outcomes can be achieved through private arrangements between issuers, securities companies, and investment banks. In practice, institutional investors participating in pre-IPO rounds may use their capital and shareholdings to provide post-listing liquidity, effectively playing a market-making role to help stabilise prices. |

*Source: Interviews with intermediaries and exchanges' policies*

## 2. Comparative analysis of investment banks' roles in mature markets vs Indonesia, Philippines and Vietnam

**The post-listing liquidity challenge in the three countries partly stems from the still-developing market-making role of intermediaries.** In mature capital markets, investment banks play a central role in market-building and market-making by providing continuous liquidity, supporting price discovery, and ensuring orderly primary and secondary market activity. These functions help foster deep investor participation and stable conditions for issuers to raise large and long-tenor capital. By contrast, in Indonesia and the Philippines, while intermediaries do provide some degree of short-term liquidity support through regulated price stabilisation mechanisms, such as greenshoe options that allow underwriters to take temporary positions and conduct market purchases within a defined post-listing period, these activities are episodic and transaction-driven rather than continuous. As a result, these markets operate with shallower liquidity and more volatile pricing, relying more heavily on retail flows or buy-and-hold institutions rather than robust dealer-driven intermediation.

| Roles | Mature Markets | Indonesia, Philippines & Vietnam | Implications |
|---|---|---|---|
| **Market-building** | • Structuring customised products that cater to specific client needs and risk appetites<br>• Advisory, underwriting and book-building<br>• Price discovery<br>• Providing research and thought leadership<br>• Supporting secondary market developments (e.g. organising roadshows and other corporate access events, continuous investor communication) | • Customising standardised financial products for clients only (equity and C-bonds). Complex instruments are rare or only available for top-tier issuers.<br>• Underwriting capacity is smaller due to thinner capital bases.<br>• Pricing depends heavily on anchor investors or government guidance<br>• Research coverage is focused on top-listed firms, while there is less penetration on mid- and small-cap ones.<br>• Market development for local institutional investors is of smaller scale due to the retail-driven markets. | • Underdevelopment of deeper financial products in the three ASEAN countries due to weak market-building roles by intermediaries, leading to:<br>  ○ Small derivative markets<br>  ○ Corporate bond markets are dominated by private placements<br>  ○ New asset classes (e.g. REITs, sustainability bonds) remain niche<br>• Slow development of yield curves and benchmarking (e.g. corporate yield curves, credit spreads used for pricing new issuances) |
| **Market-making** | • Supporting new listings post-IPO (e.g. price stabilisation through the greenshoe option)<br>• Providing liquidity with continuous bid-ask quotations<br>• Inventory management by absorbing imbalances in supply and demand with their own capital | • While Indonesia and the Philippines benefit from greenshoe (overallotment) options that allow underwriters to conduct price-stabilising purchases within a defined period (typically up to 30 days post-listing), Vietnam lacks an equivalent framework, with liquidity support more reliant on anchor investors. | • Volatility around new listings, especially for Vietnam, where a formal IPO stabilisation mechanism like greenshoe options is lacked.<br>• Reliance of markets on retail flows (equities) or bilateral negotiated trades (bonds) without the continuous two-way quotes |

| | | | |
|---|---|---|---|
| | | • Limited two-way quotes, mainly for G-bonds in Indonesia and Philippines only<br>• Almost no inventory holdings due to thin capital bases and strict regulatory capital requirements | |

## 3. Data gaps

Across Vietnam, the Philippines, and Indonesia, gaps in market data and disclosure, such as weak pricing benchmarks, limited PD metrics, and non-standardized ESG data, undermine risk pricing, liquidity, and investor confidence. These issues increase due diligence costs and constrain foreign participation, especially for mid-sized issuers, while DFIs can help address them through data infrastructure support, standardization, and anchor investments to improve transparency and market efficiency.

| Country | Missing Datasets | Impact to Market Efficiency | How DFIs could support? |
|---|---|---|---|
| **Vietnam** | **1. Public equity/debt data gaps:**<br>**- Insufficient Data on Institutional investors:** Data on retail investor is more readily available, while information on the propotion of institutional investors and their portfolio allocation is harder to obtain<br>**- Benchmark Yield curve:** Lack of long-tenor yield curves due to scatter secondary market data points and HNX data granularity constraints in relation to decouple Ouright/Repo trades<br>**- Probability-of-Default:** Lack of standardized PD data due to fragmented issuance structures and varying risk profiles among issuers, while limited credit rating coverage hinders accurate risk assessment.<br>**- Historical Default Metrics:** Official source provides only fragmented compliance lists of current late payments rather than the standardized historical default and recovery metrics necessary for professional risk modelling.<br>**2. Disclosure gaps:**<br>**- Financial reporting:** Financial reporting quality remains uneven as IFRS adoption is not yet mandatory for most firms<br>- **Analytical coverage:** Coverage is extremely thin, with fewer than 20% of listed firms receiving regular analyst updates<br>- **ESG data:** Non-standardized, with most sustainability-linked disclosure being ad-hoc rather than integrated and verified | **- Inaccurate Risk Pricing:** The absence of a reliable Yield to Maturity dataset and standardized PD data make it difficult for both local & foreign investors to accurately price corporate credit spreads, bonds or other financial instruments, leading to "flat" pricing regardless of credit quality and potential premiums that could drive up the cost of capital for even high credit profile issuers.<br>- Regulatory bodies may struggle to accurately gauge market health and risk without clear credit risk metrics, default histories, and reliable benchmark pricing data. This could delay market interventions or regulatory guidance aimed at stabilizing the market.<br>- **Disclosure Quality and Information Asymmetry:** The due diligence cost remains high for foreign investors, limiting the pool of foreign capital available for local firms. This also hampers market transparency and the the ability of investors to make informed, timely decisions.<br>- **Greenwashing risk:** Lack of official, verifiable ESG database prevents ESG-mandated funds from evaluate corporate sustainability to deploy capital, stalling Vietnam's transition to a sustainable economy | - **Finance technical advisory through collaboration with the state agencies,** to enhance the infrastructure, such as institutional investor reporting templates aligning with international standards and centralised historical default and recovery databases.<br>**- Anchor long-dated issuances** to improve price discovery and help build long-tenor yield curves.<br>- **Verification Grants for GSS Issuers:** establish a cost-sharing facility to subsidize Second-Party Opinions (SPOs) and Climate Bonds Initiative (CBI) certification fees. By absorbing these high upfront costs, DFIs eliminate the "compliance tax" that currently prevents mid-cap issuers from adopting standardized international frameworks in their ESG disclosures. This mandate replaces fragmented, ad-hoc reporting with harmonized KPIs (e.g., tCO2 avoided), enabling the empirical cross-comparison and providing the foundation necessary for a centralised National ESG Database.<br>MOBILIST specifically can act as an "anchor investor" in listed products that commit to high-transparency ESG data, providing a "halo effect" that draws in private institutional capital. |
| **Philippines** | **Corporate Probability of Default (PD) Curves** | **High Pricing Inefficiency.**<br>• Without public PD curves, banks price loans/bonds based on internal (opaque) models or relationship pricing.<br>• Investors cannot accurately price credit risk for non-blue chip firms, leading to a "risk premium" that makes borrowing expensive for mid-sized firms.<br>• Stifles the development of a high-yield bond market. | **Technical Assistance & Data Pooling.**<br>• DFIs can fund the creation of a Credit Risk Database (CRD) for SMEs/Mid-caps (similar to Japan's CRD model).<br>• Anchor Investment: Co-invest in securitization vehicles where the underlying asset performance data is made public to build a track record. |
| | **Reliable Secondary Market Pricing Benchmarks (Corporate Bonds)** | **Illiquidity Trap.**<br>• Trading volume is so low that "last traded price" is often weeks old and irrelevant.<br>• Market participants rely on "matrix pricing" (theoretical) rather | **Market Making & Repo Facility.**<br>• DFIs can provide a Liquidity Backstop Facility or Repo line to designated market makers, conditioning this support on the |

| | | | |
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| | | than executable prices.<br>• Discourages trading because investors fear getting "picked off" at stale prices. | mandatory publishing of tight, two-way executable quotes to create a visible "pricing tape." |
| | **Cost of Hedging Index (PHP/USD Cross-Currency Basis)** | **Foreign Capital Friction.**<br>• Foreign investors often cite "unpredictable hedging costs" as a barrier.<br>• The NDF (Non-Deliverable Forward) market is OTC and opaque; prices vary significantly between banks.<br>• Hard to calculate "net yield" for foreign bondholders. | **Standardized Hedging Product.**<br>• DFIs can work with the BSP/BAP to launch a Transparent FX Swap Facility or Index that provides a daily reference rate for hedging costs (3M, 6M, 1Y).<br>• Guarantee Product: Offer an FX risk-sharing facility for long-term infrastructure projects to cap hedging costs. |
| | **Granular ESG Impact Data (Project Level)** | **Greenwashing Risk.**<br>• Current ESG reports are often high-level corporate sustainability reports, not specific to the use of proceeds (e.g., "How much CO2 did this specific bond avoid?").<br>• Investors are skeptical of "Green" labels without standardized impact metrics. | **Standard Setting & Verification.**<br>• DFIs can mandate Impact Reporting Standards (e.g., harmonized with GRESB or IRIS+) for any bond they anchor.<br>• Subsidize the cost of External Reviews for smaller issuers to ensure their data meets global standards, building trust in the "Green" label. |
| | **Short Interest & Securities Lending Data** | **One-Way Market.**<br>• The lack of data on "shares available for borrowing" or "short interest ratio" makes it impossible for hedge funds to execute long/short strategies.<br>• Price discovery is hampered because negative views cannot be expressed efficiently. | **Centralised Lending Pool.**<br>• DFIs can support the PSE/PDEx in establishing a Centralised Securities Lending & Borrowing (SBL) Platform where availability and rates are transparently displayed, encouraging more sophisticated price discovery. |
| **Indonesia** | **Public equity/debt data gaps**<br>• Daily transactions data by type of institution in the equity and bonds market<br>• Recent bid-to-ask spread data in the equity market, especially for small and medium caps<br>• Secondary market trading data for bonds market<br><br>**Disclosure gaps:**<br>• Daily and up-to-date free float data for the equity market<br>• Daily and up-to-date ownership of listed companies | **Limited price discovery and supporting valuation data**<br>• Signaling the real-time market trends and sentiment in the equity and bonds market.<br>• The due diligence cost remains high for foreign investors, limiting the pool of foreign capital available for local firms. This also hampers market transparency and investors' ability to make informed, timely decisions.<br>**Disclosure Quality and Information Asymmetry:**<br>• Some listed companies maintain minimal public free float and complex cross-shareholding structures. Those factors result in opaque ownership reporting that affects the quality of corporate governance | **Modernizing/Strengthening Market Infrastructure**<br>• To be able to inform secondary bond market transactions, including repo and other derivative instruments.<br>• Discuss with IDX, KPEI and KSEI (clearing and settlement process) to explore the area of possible improvement in market infrastructure. |

# F. Cross-cutting themes and comparative analysis across the three markets

## 1. Comparative Analysis

Vietnam's capital market is in a high-growth phase, characterised by expanding size and relatively robust liquidity, while continues to strengthen its institutional and regulatory infrastructure to align with international standards and sustain long-term development. In contrast, the Philippines and Indonesia, while less dynamic in recent market activity, are more established emerging markets with comparatively mature frameworks, where regulatory efforts are focused on enhancing market integrity, efficiency, and stability.

| Category | Vietnam | Indonesia | Philippines | Comparative analysis |
|---|---|---|---|---|
| **1. Depth and size** | | | | |
| Market capitalisation (% of GDP) | 77.8% | 66.5% | 66.0% | Vietnam's high depth-to-GDP suggests a market ready for institutional transition, while the Phillipines's shallow bond market represents a major untapped opportunities for DFIs to build scale. Indonesia has the lowest MarCap among three, dominated by SOEs in major indices. |
| Number of listed companies | Main boards: 706<br>Secondary board: 869 | 956 | Main board: 271<br>SME board: 10 | |
| Outstanding C-bond size (% of GDP) | 10.4% | 4.9% | 2.1% | |
| **2. Investor base & Composition** | | | | |
| Share of foreign investors (% of equity trading value) | 11.6% | 45.7% | 46.3% | Indonesia and the Phillipines has a more mature investor base acting as a long-term stablilising force. Vietnam remains retail-driven, though the 2026 FTSE upgrade and roadmap to MSCI EM status are designed to pivot this towards institutions for Vietnam. |
| Share of retail investors (% of equity trading value) | 54.1% | 18.3% | 16% (2024) | |
| Institutional share of bond holdings | Approximately 85% (2024) | 82% (2024) | 70-80% | |
| AUM of investment funds (% of GDP) | 6.3% | ~4.5% | ~4.0% | |
| **3. Liquidity & free-float** | | | | |
| Turnover ratio | 67.3% | 30.3% | 13.0% | Vietnam market possesses strong liquidity and rapid development as it approaches the EM status, while the Phillippines's low liquidity and turnover can create "liquidity trap" where large entries/exits cause massive price slippage. Indonesia's recent increase of free-float requirements signals a national push to further improve market investability.<br>Vietnam's higher free float reflects relatively broader retail participation, which increases the proportion of shares available for trading. In contrast, Indonesia and the Philippines end to have more concentrated ownership structures, often dominated by family conglomerates or strategic shareholders, resulting in a lower proportion of shares in public hands. |
| Average daily trading value (USD million) on the equity market | 1,127 | 1,094 | 130 | |
| Minimum free-float ratio for listing | 10% | 15% (recently increased from 7.5%) | 12-33% (depending on size) | |
| Average free float ratio | 43% | 28% | Around 30% | |
| Average daily trading value (USD million) on the C-bond market | 222 | 260 | ~ 1.5 – 2.5 | |
| **4. Product diversity** | | | | |
| Number & names of derivative products | **Equity Derivatives**<br>• VN30 Index Futures – Futures contracts referencing the VN30 Index, tracking 30 largest and most liquid stocks on HoSE<br>• VN100 Index Futures - Futures contracts referencing the VN30 Index and 70 stocks from VNMidcap on HoSE<br>**Fixed Income/Interest Rate Derivatives**<br>• Vietnam Government Bond Futures (5-year, 10-year) -– Futures referencing benchmark government bonds, offering | **Equity Derivatives**<br>• IDX LQ45 Futures – Futures contracts referencing the LQ45 Index, a benchmark of liquid large-cap stocks.<br>• IDX30 Futures – Based on the IDX30 Index of liquid top 30 securities.<br>• Indonesia Government Bond Futures – Futures referencing benchmark government bonds, offering hedging for interest rate exposure.<br>• Basket Bond Futures (BBF) – Futures on groups of government | **Listed (Exchange):** None (Standardized Futures/Options absent) | Indonesia offers relatively developed suite of derivative products, making it the preferred market for complex hedging strategies and alpha generation. High FX risks remain for foreign investors in Vietnam and the Phillippines due to lack of exchange-traded instruments, high hedging costs as they are bank-backed. |

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| | hedging for interest rate exposure. | bonds differentiated by maturity buckets.<br>• Single Stock Futures (SSF) – A newer class of contracts on individual stocks, recently expanded with more underlying stocks to deepen the market.<br>**FX:** Domestic Non-Deliverable Forward (DNDF) - introduced by Bank Indonesia. Rupiah-settled forward (no physical USD delivery)<br>**Commodity Derivatives** | | |
| Availability of hedging tools | No exchange-traded FX futures and onshore NDFs,<br><br>Available instruments exist on OTC market only with FX Forwards, Swaps, and Cross-Currentcy swaps offered by most major commercial banks | Yes, for FX and commodities, but mainly over the counter (OTC) and bank driven.<br>However, FX derivatives market (for hedging) is very shallow relative to other Southeast Asia countries, shown in its OTC FX turnover where Indonesia fall behind Malaysia, Thailand, and especially Singapore. | No exchanged-traded FX futures.<br><br>Available instruments exist on OTC only with FX Forwards, FX Swaps, Interest Rate Swaps, Cross-Currency Swaps offered by banks | |
| Share of ESG-labelled instruments (% of total C-bond issuances in 2025) | 1.9% (USD 453.7 mil with 6 issuances, both VND and USD) | ~35% | ~6.4% | Indonesia has the most developed ESG bond market among the three, with active issuance of green, social, sustainability, and sustainability-linked bonds, strong government participation, and supportive regulatory frameworks. The Philippines' ESG market is emerging, with growing but still modest issuance, limited diversity, and evolving guidelines. Vietnam's ESG market remains nascent, with small volumes, few product types, and early-stage regulatory and market development. |
| **5. Regulatory environment** | | | | |
| IPO and listing timeframe | Listing approval: 90 days (Reduce to 30 days under Decree 245)<br>Companies can now file for IPO and Listing approval at the same time, which shortens the listing process by 3 to 6 months. | IPO process estimated around 3-4 months (based on IDX IPO Guideline), from preparation, evaluation and documents inquiry by IDX, announcement of prospectus summary, IPO of shares (primary market), and listing and trading in secondary market. | 6-7 months (end-to-end) | Vietnam is positioning itself as the most efficient market among the three for capital raising by shortening apprroval times to reduce opportunity cost for issuers and faster market entry, followed by Indonesia. Meanwhile the 6-7 month timeframe in the Phillipines reamins a significant deterrent for agile corporates. |
| Regulatory direction in the equity market | Vietnam has moved from the planning phase into the execution phase. To achieve the capitalisation goal reaching 120% of GDP by 2030, the government has established core development targets:<br>• Foreign Investment Easing<br>• Market Relassification: To meet MSCI's stringent criteria | From the latest press release on 6 February, OJK announced 8 action plans on equity market:<br>1. Increase in free float requirements from 7.5% to 15%.<br>2. Disclosure of Ultimate Beneficial Owners (UBO). | The regulatory direction is toward reducing bureaucratic barriers and enhancing investor protection and market integrity.<br><br>Key recent developments include the passage of the Capital Markets Efficiency Promotion Act, which significantly reduces the stock transaction tax and documentary | Indonesia's regulatory direction focuses more on reducing governance-related risk premiums and dismantle the "conglomerate discount", this transparency is a core requirement for attracting global institutional mandates that prioritize ESG and governance clarity. Vietnam's roadmap is specifically designed to address infrastructure and operational challenges to achieve the EM market status. |

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| | and achieve MSCI's EM status by 2030<br>• Infrastructure Modernization: Full CCP mechanism by early 2027, Intraday trading and Short Selling during 2026 – 2028, etc.<br>• Enhance Information Quality and Supervision of SSC<br>• FX Stabilisation scheme: Developing onshore FX market, hedging tool for FII | 3. Expansion of investor type and share ownership disclosures from above 5% to above 1%.<br>4. Stock exchange demutualization.<br>5. Strengthened enforcement and sanctions.<br>6. Improved issuer governance.<br>7. Integrated market deepening.<br>8. Enhanced collaboration and synergy among stakeholders.<br>On 2 April 2026, OJK and IDX have completed three out of eight action plans above:<br>- Increase in free float requirements from 7.5% to 15%.<br>- Expansion of investor type and share ownership disclosures from above 5% to above 1%.<br>- Disclosure of Ultimate Beneficial Owners (UBO).<br>These developments have been communicated to MSCI and other global index providers for review, and are expected to be key considerations in upcoming decisions on Indonesia's equity market classification. | stamp tax to encourage broader participation by investors.<br><br>Another one is the formalisation of the tiered approach to Minimum Public Ownership requirements. Accordingly, companies seeking to conduct an IPO will be grouped into five tiers based on their expected market value at the time of listing with the free float ratio ranging from 12% to 33%. | |
| Regulatory direction in the C-bond market | The government has set a definitive goal for C-bond outstanding to reach 25% of GDP (2030) with these action plans:<br>• Mandatory Credit Ratings: applied to both public offering & private placements (especially those sold to individual professional investors)<br>• Institutional Shift in Investor base: Regulatory incentives for Insurance companies and Pension Funds to increase allocation to C-bonds<br>• Improve bondholder protection: Striciter utilization of funds and strengthen the role of Bondholder representative | Insights from market interviews indicate a shift in the Government's approach - from a stability-oriented framework toward a more growth- and market-expansion-focused strategy for capital markets, across both equities and bonds. | • Broadening access to bond financing: The Securities and Exchange Commission is actively pushing reforms to expand corporate bond issuance, particularly for SMEs, including simplified requirements and reduced regulatory burden.<br>• Issuance process simplification and flexibility: Ongoing reforms focus on streamlining registration and approval processes, including enhanced shelf registration frameworks and faster turnaround timelines, to make bond issuance more efficient and repeatable for corporates. | Among three countries, Vietnam is attempting to mandate credit ratings and establish a Corporate Bond Guarantee Fund, pushing a risk-based institutional market. Morover, Vietnam and Phillippines are explicitly embedding ESG and Sustainability into their regulatory roadmaps. This alignment is critical for attracting DFIs capital and impact fund flows, which are increasingly sensitive to regulatory oversight. |

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| | • Establishment of a Corporate Bond Guarantee Fund<br>• GSS+ Bond Market Development | | | |
| **6. Data transparency** | | | | |
| Coverage by research providers | Skewed towards large and mid-cap companies (VN100) | Skewed towards large and mid-cap companies | ~10% – 15% of listed companies | Research coverage in all countries remains heavily concentrated in large-cap stocks, which creates a visibility ceiling for private SMEs and make it harder for them to attract institutional investors |
| Available of company and market information in English | All listed firms on HoSE and large-cap public companies are now in the mandatory phase for English disclosure for annual/quarter reports, but it is not always available for all companies | Permitted but not mandatory. Large-cap companies, SOEs, and internationally exposed firms almost always publish bilingual annual reports | Full Availability | Full English availability makes the Phillippines the most analytically ready market for foreign investors. As Vietnam and Indonesia move toward the same standard of availability, signifficant reduction in the governance-related risk premium is expected that helps attract FIIs. |
| Credit rating coverage | % Issued value by rated issuers: 38.1%<br>% Rated bond (issuance): 0.93% | >80% of outstanding corporate bonds | Listed Corporate Bonds: ~100%<br><br>Total Outstanding Corporate Bonds: >90% | The Phillipines leads in credit rating coverage, providing the highest clarity for fixed-income investors despite its moderate market scale; Vietnam is in the process to pursue the same practice and targets. |
| Alignment of reporting with international standards | Vietnam Accounting Standards (VAS) only partially align with IFRS. However, there is a roadmap for the mandatory implementation of IFRS by listed forms | Prospectus based disclosure that aligned with IOSCO style<br><br>Indonesian GAAP for financial reporting is converged with IFRS | Prospectus based disclosure that aligned with IOSCO style<br><br>Philippine Financial Reporting Standards (PFRS) is converged with IFRS | For foreign investors, the partial alignment of financial reporting in Vietnam can limit comparability and increase due diligence costs, whereas the IFRS-converged frameworks in Philippines and Indonesia provide greater transparency and consistency. |
| **7. DFI engagement potential** | | | | |
| Sector investability for DFI participation | Renewable Energy, SME Support, Digital Infrastructure, Green Finance | Energy transition (hydro, solar PV power plant, and grid transmission), Waste-to-energy infrastructure in 33 cities, Health and hospital services, Data center and industrial area | Infrastructure, Renewable Energy & Climate Finance, MSMEs & Agriculture | DFIs have clear entry points to play a catalytic role through credit enhancement, anchor investments, and technical assistance. These interventions are designed to mobilise private capital by addressing the current constraints of shallow institutional demand and limited issuer pipelines |

*Source: ABO, FiinProX, exchanges and interviews. Note: Data are 2025 full year, unless otherwise noted*

## 2. Cross-cutting themes

Indonesia's more advanced capital market development is also reflected in its stronger institutional investor base and deeper integration with regional markets. Meanwhile, Vietnam's active market development can also be seen in its growing adoption of ESG frameworks and increasing regional integration, supported by ongoing regulatory reforms. However, further progress is still needed in diversifying away from bank-centric funding and strengthening the institutional investor base to support more sustainable market depth.

| Cross-cutting theme | Vietnam | Indonesia | Philippines | Comparative Analysis & Implications |
|---|---|---|---|---|
| **Diversification away from bank-centric funding** | Vietnam's growth has long been financed primarily through the banking system, which has supported rapid expansion but also created concentration risk on bank balance sheets and refinancing risk for infrastructure operators. | Although banks remain central to credit intermediation, large corporates and infrastructure projects increasingly tap capital markets for longer-tenor financing, particularly through rupiah-denominated bonds and project-linked instruments. | The Philippines remains heavily bank-led. Large conglomerates have easy access to cheap bank loans, reducing their incentive to list. Conversely, mid-sized companies (the "Missing Middle") are starved of capital because banks are conservative collateral- | Vietnam, Indonesia, and the Philippines are all seeking to diversify away from bank-centric financing, but they are at different stages of transition. Indonesia has made the most structural progress, supported by a deep government bond, allowing large |

| Cross-cutting theme | Vietnam | Indonesia | Philippines | Comparative Analysis & Implications |
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| | As investment needs shift toward infrastructure, energy transition, and industrial upgrading, the limits of bank-led financing are becoming more visible. Deepening bond and equity markets is therefore not about displacing banks, but about complementing them with market-based channels capable of mobilising long-term institutional capital. | This gradual diversification has strengthened financial resilience by broadening funding sources and distributing risk more widely across institutional investors rather than concentrating it within the banking system alone. | lenders and the IPO market is too expensive/cumbersome for them. | corporates and infrastructure projects to access longer-tenor capital market funding.<br>By contrast, Vietnam remains the most bank-reliant of the three, with the modest size of its non-bank C-bonds. Vietnam is at a pivotal stage where regulatory reforms and institutional investor development will determine whether capital markets can meaningfully complement bank credit. |
| **ESG frameworks and sustainable finance** | Vietnam has made visible progress in product diversification to GSS+ bonds in recent years, especially those issued by non-bank companies and meeting international standards. They show that credible ESG frameworks can attract strong investor demand and improve financing terms.<br>However, ESG adoption remains uneven, with fragmented standards and inconsistent disclosure constraining scale. The next phase of development lies in mainstreaming ESG practices through standardised frameworks, credible reporting, and integration into core capital market products. | OJK has set the roadmap and general support for sustainable finance development. However, to develop further, specific incentives and government-led initiatives should be introduced (like incentives or lower issuance cost for ESG-related finance instruments.<br>Relative to other ASEAN countries, Indonesia's sustainable financing market is more advanced in terms of both the number and size of transactions. | This is the most active innovation space (e.g., ACEN ETM, BDO Blue Bonds). However, the market has moved past the "excitement" phase and into the "skepticism" phase. Investors are now wary of "Greenwashing" and are demanding structures with "teeth", specifically step-up coupons (penalties for missing ESG targets) and rigorous post-issuance monitoring. | Indonesia has the most mature and structured ESG framework among the three, with mandatory sustainability reporting and a national green taxonomy, and repeated sovereign green sukuk issuances anchoring market credibility.<br>The Philippines has sovereign sustainability issuances that support market development, but its disclosure regime remains less prescriptive.<br>Vietnam is progressing rapidly with the introduction of a green taxonomy and growing green and sustainability-linked issuances, yet implementation remains largely voluntary, with data transparency and standardised reporting still developing. |
| **SOE listing potential** | Vietnam's capital markets are beginning to refocus on SOE supply as a source of large, investable assets after years of relatively slow equitisation. Under the Government's directions, the State Capital Investment Corporation (SCIC) is increasingly expected to act not only as a divestment vehicle but also as a facilitator of greater liquidity and free float in listed SOEs through targeted sales and broader participation strategies. Nonetheless, structural constraints such as complex asset holdings, valuation challenges, and cautious implementation have kept the actual pipeline of SOE listings thin. | While many Indonesian SOEs are already publicly listed, major entities such as Pertamina and PLN, remain unlisted.<br>The potential for further SOE listings will depend on government policy direction. At present, the Government is prioritizing the consolidation of mid- to large-scale SOEs under a unified holding structure through Danantara. | The "SOE" theme in the Philippines is less about listing state companies and more about mobilising State Capital (GFIs). The focus is on getting Government Financial Institutions (GSIS, SSS, Maharlika Fund) to act as anchor investors or to use their land banks for REIT listings, rather than listing the institutions themselves | Indonesia has the most established presence of listed SOEs among the three markets, with state-owned banks and infrastructure firms forming a meaningful share of market capitalisation and liquidity.<br>The Philippines, by contrast, has virtually no listed SOEs, despite the significant economic footprint of government-owned corporations—highlighting a large untapped source of quality supply for its equity market.<br>Vietnam sits in between: SOE-related stocks already play an important role in market performance, and policy direction increasingly supports equitisation, but the actual pipeline is thin due to the structural constraints. |
| **Institutional investor base development** | The participation of insurance companies and Vietnam Social Security (VSS) in the equity and C-bond markets is limited (VSS does not invest at all). They adopt conservative buy-and-hold investment | Asset allocation requirements currently limit exposure to higher-risk instruments, such as equities and corporate bonds. However, insights from market participants suggest a potential shift toward greater risk- | The Philippines has a massive pool of domestic institutional liquidity (Insurance & Pension Funds), but it is structurally trapped. Insurers want to invest in infrastructure and corporate bonds, but | Indonesia has the most developed institutional investor base among the three, with pension funds, insurance companies, and mutual funds holding a meaningful share of listed equities, which helps provide market |

| Cross-cutting theme | Vietnam | Indonesia | Philippines | Comparative Analysis & Implications |
|---|---|---|---|---|
| | strategies, restricted significantly by prudential limits.<br>Expanding the role of institutional investors also requires the availability of investable, institution-grade products with appropriate risk-return profiles. As mandates evolve and product diversity improves, institutional investors can become anchors of market stability, supporting longer tenors, improved price discovery, and reduced volatility. | taking across asset classes. | Risk-Based Capital (RBC) charges penalise them heavily for holding anything other than Government Securities (which have 0% risk charge). The "development" needed is not finding the money, but regulatory relief (or risk mitigation) to unlock it. | depth, liquidity, and stability.<br>The Philippines, by contrast, has very limited institutional participation, resulting in a market more reliant on individual sentiment and concentrated corporate holdings.<br>Vietnam falls in between: retail investors dominate daily trading, but institutional participation is gradually growing, though it remains smaller than the country's economic potential would suggest. |
| **Regional integration** | Vietnam's capital market has gradually deepened its integration with the region, supported by increased foreign investor participation and ongoing regulatory reforms to improve transparency and market access.<br>Efforts such as easing foreign ownership limits, streamlining trading procedures, and aligning disclosure standards with international norms have made the market more accessible to regional and global investors. | The market is generally well integrated regionally, attracting significant flows into large-cap and highly liquid stocks.<br>Cross-listing is being promoted by the Indonesia Stock Exchange (IDX) through the signing of an agreement with the Singapore Exchange (SGX) on Singapore Depository Receipts (SDRs), enabling Singapore-based investors to gain exposure to selected Indonesian large-cap companies (IDX30) via SDRs. | The Philippines' capital markets remain largely domestic-oriented, with limited participation in cross-border trading or regional investment schemes. Regulatory restrictions, lower market depth, and the small number of listed companies constrain foreign investor engagement, resulting in minimal integration with regional capital markets despite the country's economic size. | Indonesia has a relatively developed capital market and has taken steps toward regional integration, including cross-border investment frameworks.<br>The Philippines' capital markets remain largely domestic-focused, with limited cross-border activity, reflecting regulatory restrictions and lower market depth.<br>Vietnam is increasingly opening its capital markets to foreign investors and aligning regulations with international standards, but actual cross-border investment volumes are still modest compared with its potential. |
| **MSCI Classification & Index Dynamics** | Currently classified as an MSCI Frontier Market, dominating constituently approximately 28.8% weighting. Vietnam does not lack scale as the MSCI Vietnam Index boasts 69 constituents, with liquidity levels that outperform several small EM in the region.<br>However, MSCI EM inclusion remains a medium-term aspiration, targeted by around 2030 and subject to continued regulatory and market infrastructure reforms to address remaining criteria.<br>Notably, FTSE Russell confirmed Vietnam's upgrade to Secondary EM status effective September 2026. | Currently classified as an MSCI Emerging Market. In Jan 2026, MSCI froze rebalancing adjustments and raised the probability of a downgrade to Frontier Market status, citing concerns over ownership transparency, free-float reliability, and potential coordinated trading behavior.<br>Regulators have since introduced reforms in response, including expanded minimum free float requirements (minimum 15% from 7.5%), enhanced ownership disclosure standards (>1%), more granular investor categorisation, and the initial disclosure of High Shareholding Concentration (HSC) data for 9 issuers with 95% concentration. MSCI's formal reassessment is expected in May 2026. | An existing MSCI Emerging Market constituent, with selected companies included (increasingly restricted to a small basket of liquid blue chips in financials and industrials). As of March 2026, the MSCI Philippines Standard Index contains only 11 constituents, covering roughly 85% of the market cap.<br>The market's limited free float, low trading liquidity, and shortage of new listings constrain its overall weight and breadth within the MSCI EM universe. | Indonesia is a long-standing MSCI EM facing a near-term governance-related review. The recent focus on ownership structures and trading patterns underscores a shift toward prioritising transparency and free-float reliability over Total Market Capitalisation.<br>The Philippines maintains EM inclusion but with a limited index footprint, creating a liquidity trap for mid-sized firms that fail the high MSCI hurdles.<br>Vietnam presents a unique paradox, with broad breadth and higher retail liquidity than its EM peers but lacks the "institutional anchor" of a formal EM status. The FTSE upgrade remains the near-term catalyst for institutional re-rating ahead of a potential MSCI transition. |

# G. Actionable Recommendations

## I. Vietnam

### 1. Background:

Strong external competitiveness, low debt levels, and ample fiscal space in recent years have contributed to Vietnam's solid fundamentals. The country delivered one of the most sustained economic expansions and recorded 8.02% GDP growth in 2025 – among the highest rates in three decades – pushing nominal GDP to approximately USD 514 billion and GDP per capita to USD 5,026. Growth has been broad-based all three demand pillars: industry and construction expanded at 8.95%, services at 8.62%, and manufacturing specifically at 9.97% - the highest rate since 2019, driven by high-tech electronics and the country's deepening integration into the global supply chains. Vietnam's attractiveness to FDI investors have also help the country signed 17 FTAs, more than most regional peers, to deliver an exceptional growth performance and create an appealing market for foreign investors.

Vietnam's 2026 – 2030 development plan targets double-digit annual GDP growth, if met, would require levels of investment in energy, transportation, telecommunications, and industrial capacity that significantly exceed what the current fiscal framework, banking system, and embryonic capital market can collectively finance. This opens opportunities to the capital market, creating the demand pull for equity market and corporate bond market deepening to serve as efficient sources of infrastructure financing. The Government's Capital Market Development Master Plan to 2030 (Decision 1726/QD-TTg) established the quantified targets for market size, product diversification, and institutional investor development that all subsequent regulatory and product reform is designed to serve, framing this ambition.

**Risk analysis:**

- **FX Volatilities:** The Vietnam's FX market is structurally shallow, with spot market exhibits periods of illiquidity when banks with USD surplus are not able or willing to meet the USD demand, amplified when firms refrain from depositing their FX proceeds with banks. According to IMF's estimates, bid-ask spreads in the FX swap market are persistently above the average of other peers and those in the spot market spiked above their peers' during large shocks such as Covid-19 outbreak and the 2022 financial distress episode[29]. Moreover, as Vietnam pursues multiple policy objectives between (i) stimulate domestic demand (ii) price stability (inflation) (iii) FX stability with volatility within +/-5% band, the toolkit for SBV to manage currency fluctuations remained limited to liqudity adjustment via Open Market Operations (OMO), forwards selling and direct foreign reserve interventions rather than letting the market self-stablisation. Consequently, this creates a liquidity bottleneck where DFIs may find it physically difficult to convert large amounts of VND back to USD quicky without causing significant price slippage, while the absence of a long-ternor hedging creates a structual mismatch.
- **Market risk:** Given Vietnam's export-led economy, heightened external volatility can pose important challenges and create systemic market risk for capital market investors. For example, the U.S accounted for approximately 30% off Vietnam's total exports in 2024, means that any escalation of US trade policy toward Vietnam – whether through Section 301 tariff actions, anti-circumvention investigations of goods transhipped through Vietnam, or bilateral negotiations that impose reciprocal restrictions – has outsized capital market consequences by suppressing corporate earnings and equity valuations in the sectors that represent the most liquid parts of the stock market.
- **Political & regulation risk:** There is some uncertainty in legal frameworks across development plans for financial instruments. While primary legislation establishes high-level principle, implementation specifics are delegated to ministerial circulars which may necessitate ongoing harmonisation to ensure consistency across jurisdictions. Frequent decree amendments reflect a regulatory system that is actively improving yet create compliance uncertainty. For example, changes to landmark regulations such as Decree 08, Decree 65, Decree 155 regarding corporate bonds have historically been enacted with very little lead time to curb market overheating. Some new regulations are issued later to reverse or suspend many of those same provisions once liquidity ample. For long-term investors, this pattern makes accurate regulatory risk modelling structurally difficult.

[29] An Application of the Integrated Policy Framework to Vietnam in: IMF Staff Country Reports Volume 2024 Issue 307 (2024)

**2. "What we heard" summaries:**

Stakeholders broadly agreed that Vietnam is entering a window where coordinated, high-impact reforms can materially shift capital markets depth. The recommendations reflect this shared view, grounding proposed MOBILIST interventions in areas where market participants see both urgent need and realistic execution pathways, thereby strengthening legitimacy and local ownership.

- **Broadening the institutional investor base:**

Across interviews with regulators and leading fund managers, there was strong consensus that Vietnam's institutional capital remains under-deployed due to restrictive investment mandates, particularly for insurance companies, pension funds, and Vietnam Social Security (VSS). Insurers highlighted that the ban on investing in refinancing or restructuring bonds for insurers should be removed, while asset managers stressed that the absence of a clear, risk-based pension framework limits long-term demand for high-quality corporate bonds and fund products.

This directly informed recommendations to loosen insurance investment restrictions, introduce mandatory but conservative VSS allocations, and strengthen the legal framework and incentives for voluntary pension schemes—measures repeatedly cited as the fastest way to expand stable domestic demand.

- **Reducing over-reliance on bank credit through bond market reforms:**

Regulators, exchanges and insurers consistently highlighted that bank credit remains the default financing channel because corporate bonds, especially public bonds, are still inflexible and poorly supported by credit enhancement and infrastructure. Insurers and intermediaries stressed the importance of guarantees, clearer use-of-proceeds rules, and repo eligibility to make bonds investable at scale.

This feedback translated into recommendations on mandatory bond-financing ratios for large corporates, formal legal frameworks for PPP bonds and guarantee funds, co-investment in domestic bond guarantee vehicles, and development of bond repo markets—all aimed at shifting incremental financing toward capital markets without undermining financial stability.

- **Expanding product diversity, especially infrastructure and GSS+ instruments:**

Institutional investors and DFIs repeatedly pointed to the lack of investable long-tenor products, particularly infrastructure, green, and sustainability-linked bonds, as a key constraint. These concerns directly informed proposals for MOBILIST to act as a cornerstone investor in PPP and GSS+ bonds, subsidise SPO and structuring costs, support standardised green frameworks, and co-invest alongside guarantors—mirroring successful IFC/AIIB-supported issuances referenced by interviewees.

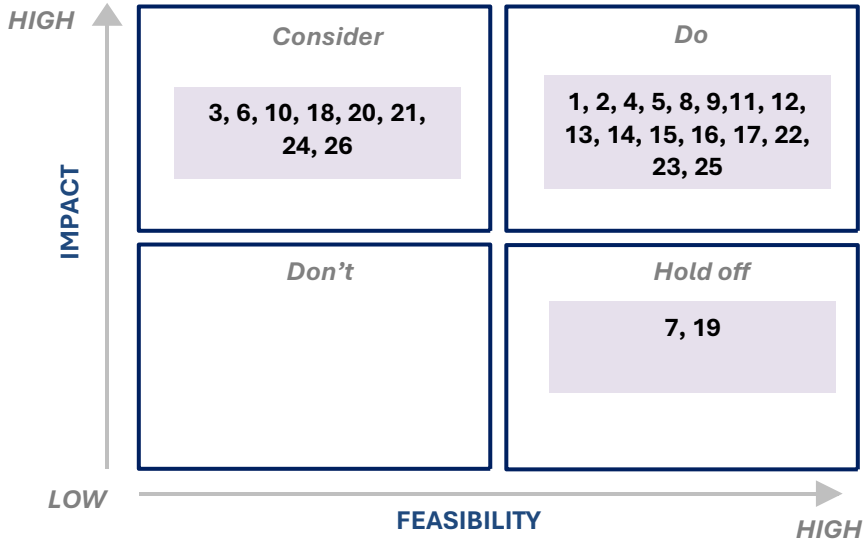
- **Improving transparency, disclosure, and investor confidence: transparency, disclosure, and investor confidence:**

Fund managers, intermediaries, and exchanges were aligned that uneven disclosure quality, especially selective disclosure, limited English information, and weak bondholder rights, remains a major deterrent for both domestic and foreign investors. Data gaps on defaults, recovery rates, and yield curves were also cited as material obstacles. This directly led to recommendations on mandatory bilingual disclosure, IFRS adoption, enhanced authority for bondholder representatives, centralised default and yield databases, and TA support for disclosure aligned with international standards—measures repeatedly framed by stakeholders as prerequisites for MSCI upgrade and foreign participation.

- **Strengthening market infrastructure and risk management: market infrastructure and risk management:**

Regulators, exchanges and intermediaries stressed that infrastructure upgrades are not "nice to have" but essential to reduce settlement risk, improve liquidity, and support institutional trading strategies. Interviewees consistently linked these reforms to Vietnam's EM upgrade ambitions. This feedback shaped the cluster of recommendations on CCP operationalisation, SLB with CCP integration, corporate bond repo markets, STP platforms, and covered short selling—sequenced as foundational reforms to unlock deeper institutional participation.

### 3. Actionable Recommendations:




| Binding Constraint Category | Constraint | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
|---|---|---|---|---|---|---|
| | | | 0-6 months | 6-24 months | 2-5 years | |
| **Market Readiness** | Narrow institutional investor base | 1. Loosen restrictions by allowing insurance companies to invest in bonds issued for debt restructuring purpose | X | | | Regulators (Ministry of Finance) |
| | | 2. Enhance the legal framework on pension funds, their investment mandate and incentives for voluntary pension contribution | X | | | Regulators (Ministry of Finance) |
| | | 3. Introduce mandatory investment mandates for VSS, with an initial allocation to investment-grade corporate bonds and fund certificates | | X | | Regulators (Ministry of Finance) |
| | | 4. Open up infrastructure investments to insurance funds, allowing them to exceed the investment limits when investing in infrastructure C-bonds that meet eligible credit rating requirements | | X | | Regulators (State Securities Commission) |
| | | 5. *Mobilise capital into listed vehicles structured, especially the new asset classes such as PPP or GSS+ bonds, as a cornerstone investor to crowd in long-term institutional investors* | X | | | ***MOBILIST*** |
| | | **Considerations: The proposed measures are broadly aligned with existing reform momentum** under the Ministry of Finance, particularly in relation to the scheme for investor restructuring (Decision 3168/QD-BTC), introduction of infrastructure funds (Circular 136/2025/TT-BTC) and the proposed legal framework on pension funds, increasing the short to medium term feasibility of Recommendations 1, 2, 4 and 5.<br>In contrast, introducing mandatory allocation requirements for VSS (Recommendation 3) is politically and institutionally more complex, given its traditionally conservative mandate and the public sensitivity surrounding social security funds; this reform would likely require phased implementation and strong risk safeguards.<br>**From an impact perspective,** these reforms collectively aim to unlock large pools of long-term domestic capital, especially from insurance funds and VSS, into priority sectors such as infrastructure and sustainable finance instruments. Allowing insurance funds to expand exposure to infrastructure bonds presents a particularly strong opportunity, as their long- | | | | |

| Binding Constraint Category | Constraint | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
|---|---|---|---|---|---|---|
| | | | 0-6 months | 6-24 months | 2-5 years | |
| | | duration liabilities are naturally aligned with long-tenor infrastructure assets. Similarly, DFI participation as cornerstone investors in PPP and GSS+ bonds can play a catalytic role in building market confidence, improving structuring standards, and crowding in domestic institutional investors.<br>However, risk considerations remain central. Expanding investment mandates would expose insurance and social security balance sheets to higher credit risk, particularly in restructured and infrastructure-linked bonds. This requires commensurate strengthening of risk management capacity, robust disclosure standards, and effective supervisory oversight. For new products like PPP and GSS+ instruments, success depends on a credible pipeline of projects and clear ESG standards to avoid greenwashing concerns. | | | | |
| | High reliance on commercial banks for financing/lack of product diversity | 6. Implement a mandatory bond-financing framework: large corporates (VN500 / key state-owned enterprises) must raise 20-25% of incremental borrowings through corporate bonds. | X | | | Regulators (Ministry of Finance), issuers |
| | | 7. Give incentives to qualified SOEs to go listing (e.g. fast-tracked IPOs, reduced listing costs) | X | | | Exchanges, intermediaries |
| | | 8. Establish formal legal frameworks on Public-Private Partnership (PPP) bonds and corporate bond guarantee funds to catalyse financing for infrastructure, manufacturing and energy projects | | X | | Regulators (SSC) |
| | | **Considerations:** Introducing a mandatory bond-financing framework for large corporates and major SOEs would help activate primary issuance, improve benchmark pricing across maturities, and stimulate development of yield curves and credit differentiation. However, feasibility depends on several enabling conditions: reliable pricing infrastructure (e.g. yield curves, defaults and recovery databases), stronger secondary market liquidity, a broader institutional investor base, and calibrated investment limits for non-bank investors. Without parallel reforms to expand demand and improve market infrastructure, mandatory issuance risks creating supply without absorption capacity, leading to higher funding costs or weak uptake.<br>Providing incentives for qualified SOEs to list could also have high structural impact, given the strong pipeline of large enterprises whose listings would materially increase market capitalisation, free float, sector diversification, and institutional investability. However, while fast-tracking and fee incentives may help at the margin, the binding constraints often lie elsewhere: complex asset structures, land-use and valuation challenges, and cautious oversight of state asset divestment. As such, the effectiveness of financial incentives alone may be limited.<br>Establishing formal legal frameworks for PPP bonds and corporate bond guarantee funds could be both highly impactful and relatively feasible, particularly given their inclusion in Resolution 01/NQ-CP/2026 as tasks to be complete in 2026 under Ministry of Finance leadership and active SSC engagement. A clear legal basis would catalyse long-term financing for infrastructure, manufacturing, and energy projects, reduce perceived credit risk through structured guarantees, and crowd in domestic and foreign institutional investors. Resource implications include drafting and operationalising the decrees, adequately capitalising the guarantee entity, and building supervisory capacity through clear prudential limits, risk-based capital requirements, and a well-defined, feasible scope of responsibility for the guarantee company. | | | | |
| **Role of Anchor Investors & Catalytic Capital** | Limited anchor participation in IPOs and new instruments | 9. Act as anchor investors in selected IPOs and pre-IPO placements to improve deal credibility and price discovery and crowd in domestic institutions. | X | | | DFIs |
| | | 10. Take long-term equity stakes in SOEs undergoing equitisation/ SOE subsidiaries listing via IPO | | | X | DFIs |
| | | 11. *Co-invest in a local bond guarantee fund once the governing regulation is passed* | | X | | ***MOBILIST*** |
| | | 12. *Act as an anchor investor in IPOs of qualified companies operating in infrastructure sectors (e.g. renewable energy, transport, water treatment, digital infrastructure)* | | X | | ***MOBILIST*** |
| | | **Considerations:** Taking long-term equity stakes in SOEs undergoing equitisation could generate high systemic impact by strengthening governance, increasing free float and deepening market capitalisation. However, feasibility is lower and timelines longer due to the binding constraints on SOE listing (analysed in *F.2 Cross-cutting theme analysis*). While impactful, SOE transactions are likely to be selective and opportunity-driven rather than a near-term scalable strategy.<br>Anchor participation in infrastructure IPOs aligns well with MOBILIST's mandate. Infrastructure assets typically offer scalability, as they can absorb large pools of institutional capital | | | | |

| Binding Constraint Category | Constraint | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
|---|---|---|---|---|---|---|
| | | | 0-6 months | 6-24 months | 2-5 years | |
| | | and support repeated issuances or platforms over time. They also demonstrate additionality, as many new projects would struggle to access public market financing without catalytic cornerstone investors, while bank financing is limited. Finally, such transactions are generally feasible and commercially viable given established demand for infrastructure exposure. However, suitability depends on proximity to market, robust ESG standards, and mitigation of key risks including limited long-term FX hedging availability.<br>Co-investing in a local bond guarantee fund would provide strong additionality by de-risking corporate and infrastructure bonds that currently struggle to attract institutional capital, particularly due to credit risk perception and rating thresholds. If well designed, the model has high scalability and systemic impact, with the potential to deepen the corporate bond market, enhance the investability of PPP and GSS+ bonds, and crowd in insurance funds, pension funds, and foreign investors. Feasibility improves once the regulatory framework is enacted and operational mandates, prudential limits, and supervisory oversight are clearly established. | | | | |
| | High upfront costs and capability gaps in ESG and innovative instruments | 13. Catalyse the GSS bond issuance by subsidising SPO costs and standardising sustainable/green bond frameworks. | X | | | DFIs |
| | | 14. *Provide technical assistance in the development of Green/Sustainability/Sustainability-linked frameworks, measurable KPIs, use-of-proceeds tracking and impact metrics for GSS+ bonds* | X | | | ***MOBILIST*** |
| | | 15. *Deploy technical assistance grants to absorb the upfront costs faced by issuers in bringing new listed instruments to the market, such as green equity, PPP bonds.* | | X | | ***MOBILIST*** |
| | | **Considerations:** Providing technical assistance for GSS and sustainability-linked bond frameworks, KPIs, and impact metrics strengthens the readiness and investability of public market instruments with a credible pathway to listing. By enhancing disclosure quality, use-of-proceeds tracking, and measurable impact reporting, the intervention supports commercial viability and makes products more attractive to domestic and international institutional investors, thereby mobilising long-term capital at scale. Risks include potential unwillingness of issuers to fully integrate tracking and reporting systems due to transparency concerns, over-engineering ESG frameworks that are costly and complex to sustain over time and uneven KPI quality across sectors. Alignment with international taxonomies and verification standards is therefore critical.<br>Deploying technical assistance grants to absorb upfront costs for new listed instruments, such as green equity or PPP bonds, would further reduce first-mover barriers and support innovation in public markets. This intervention can help crowd in private capital by demonstrating commercial viability in new asset classes. Feasibility is high where a credible transaction pipeline exists. Risks include limited scalability if pipeline quality is weak, and the possibility that grants address transaction costs without resolving underlying structural issues (e.g. liquidity or investor constraints). | | | | |
| **Accessibility for Foreign & Institutional Investors** | Limited foreign investor confidence due to disclosure and governance gaps | 16. Provide technical assistance (TA) to regulators, exchanges and issuers on disclosure aligned with international standards, including IFRS | X | | | DFIs |
| | | 17. Require bilingual disclosure of company and market information in Vietnamese and English, together with the full implementation of investor relations functions | | X | | Exchanges |
| | | 18. Review regulations on foreign holdings to remove unnecessary restrictions in FOL in certain sectors | | X | | Regulators (Ministry of Finance and other related Ministries) |
| | | 19. *Require and support the implementation of robust and internationally standardised reporting frameworks and disclosure for all products it invests* | | X | | ***MOBILIST*** |
| | | **Considerations:** Providing technical assistance (TA) to regulators, exchanges, and issuers on international disclosure standardswould have high systemic impact by strengthening transparency, comparability, and foreign investor confidence. However, readiness gaps remain, especially among mid-cap firms, due to limited systems capacity, cost concerns, and potential reluctance to increase transparency. Resource implications include regulatory capacity building, system upgrades, training, and transitional support for smaller issuers. Risks centre on uneven implementation quality, high compliance costs for smaller firms, and short-term earnings volatility during transition, underscoring the need for phased timelines and proportionality.<br>Requiring bilingual disclosure and strengthened investor relations (IR) functions is a relatively high-impact and feasible reform, particularly as English disclosure has been consistently cited as a constraint in international investor assessments, including MSCI's. Many large corporates already report in English, suggesting implementation is realistic if applied proportionately by size. Risks include superficial compliance (translation without substantive improvement in disclosure quality) and additional burden on smaller issuers who may | | | | |

| Binding Constraint Category | Constraint | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
|---|---|---|---|---|---|---|
| | | | 0-6 months | 6-24 months | 2-5 years | |
| | | need incentives to transition.<br>Relaxing FOLs would have high impact by significantly improving foreign investor access, increasing market liquidity, and supporting potential market reclassification. However, feasibility is low in the near term due to legal and regulatory complexities. A key constraint is that many Vietnamese companies operate under multiple business lines, some of which fall into restricted or conditional sectors, creating ambiguity in determining applicable foreign ownership caps. Revising these rules would require coordination across multiple laws as well as alignment among different ministries. However, feasibility is low in the near term due to legal, regulatory, and political complexities. A key constraint is that many Vietnamese companies operate under multiple business lines, some of which fall into restricted or conditional sectors, creating ambiguity in determining applicable foreign ownership caps. Revising these rules would require coordination across multiple laws (e.g. investment, enterprise, and securities regulations), as well as alignment among different ministries<br>Requiring and supporting robust, internationally standardised reporting frameworks for products supported by MOBILIST is highly feasible within its mandate. This can generate demonstration effects and improve product credibility, particularly for ESG-aligned instruments. However, systemic impact may be limited if adoption remains transaction-specific rather than market-wide. Key risks include over-engineered frameworks that are costly to maintain and unwillingness to sustain rigorous reporting systems over time. | | | | |
| | Structural barriers to foreign participation | 20. Implement non-voting depositary receipts to enhance the availability of listed shares that have reached foreign ownership limits | | **X** | | Exchanges |
| | | 21. Expand FX hedging instruments to tenors longer than three years for foreign institutional investors holding VND assets | | | **X** | Regulators (SBV) |
| | | **Considerations:** Introducing **non-voting depositary receipts (NVDRs)** could have high impact by improving foreign investor access to large Vietnamese companies without altering ownership control. This could help address one of the key barriers to greater foreign participation. However, feasibility is relatively low in the near term due to legal sensitivities around foreign ownership structures, as well as the need for amendments to securities and corporate governance regulations. Implementation would also require coordination between regulators, exchanges, and custodians to establish the operational framework. Resource implications include regulatory design, market infrastructure adjustments, and investor education. Risks include limited issuer willingness to adopt the structure and potential policy resistance where foreign ownership restrictions are linked to strategic sector considerations.<br>Expanding **FX hedging instruments beyond three-year tenors** for foreign institutional investors would also have high impact. Greater availability of longer-dated hedging instruments would improve the attractiveness of Vietnamese equities and bonds for international portfolios and support deeper institutional participation. However, feasibility is relatively low because Vietnam's FX derivatives market remains shallow, with commercial banks currently the primary providers of hedging products and limited capacity to manage long-dated exposures. Resource implications include market infrastructure development, risk management capacity at financial institutions, and regulatory oversight. | | | | |
| **Market Infrastructure & Liquidity Mechanisms** | Limited risk management tools | 22. Grant substantive authority to bondholder representatives, including independent collateral valuation, ongoing monitoring, and the right to request extraordinary audits | **X** | | | Regulators (SSC) |
| | | 23. Operationalise a Central Counterparty (CCP) for equities and bonds to reduce settlement and counterparty risks | | **X** | | Intermediaries (VSD) |
| | Constraints in secondary market liquidity | 24. Develop a corporate bond repo market to enhance bond liquidity, alongside a legal framework governing it | | **X** | | Regulators (SSC), intermediaries (VSD) |
| | | 25. Introduce covered short selling in a controlled manner, allowing for eligible stocks and restricting use to licensed institutional investors | | **X** | | Regulators (SSC), Intermediaries (VSD, brokers) |
| | | 26. Develop a centralised database of defaults, recovery rates, and yield curves, accessible to domestic and foreign investors | | | **X** | Regulators (SSC), exchanges and data providers |
| | | **Considerations:** Operationalising a **Central Counterparty (CCP)** and **covered short selling under controlled conditions** are reforms already under Ministry of Finance's plans, which improves their feasibility. The CCP is expected to be implemented around 2027, while covered short-selling may be piloted as early as 2026. Both reforms would have meaningful impact on market functioning: a CCP reduces settlement and counterparty risks and strengthens clearing infrastructure, while regulated short selling can improve price discovery and trading efficiency. Resource implications include significant investment in clearing infrastructure, risk management systems, and supervisory capacity, as well as market participant readiness. Key risks relate to operational complexity during implementation, the need for robust margining and default management frameworks within the CCP, and potential market volatility during the early stages of short-selling. | | | | |

| Binding Constraint Category | Constraint | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
|---|---|---|---|---|---|---|
| | | | 0-6 months | 6-24 months | 2-5 years | |
| | | Developing a **corporate bond repo market** and a **centralised database of defaults, recovery rates, and yield curves** could improve secondary market liquidity and pricing transparency in the corporate bond market. However, feasibility is relatively lower because the effectiveness of these reforms depends on broader ecosystem development. Vietnam's public corporate bond market remains nascent, with limited issuer diversity, a relatively narrow institutional investor base, and low secondary trading activity. A repo market requires sufficient outstanding bonds, active market makers, and robust collateral management frameworks to function effectively. Similarly, while a centralised data platform would enhance transparency and investor analysis, its usefulness depends on sufficient bond supply to construct meaningful yield curves and reliable reporting and consistent disclosure by issuers. Resource implications include developing data infrastructure, regulatory reporting requirements, and market-making capacity. Risks include fragmented reporting standards, and the possibility that liquidity-enhancing mechanisms remain underdeveloped if the underlying market participation and product diversity do not expand. | | | | |

**4. Case studies to ground recommendations:**

**a. IFC/AIIB Bond Interventions:**

In recent years, IFC and AIIB have played a catalytic role in Vietnam's local capital markets through targeted bond investments, notably IFC's investment in Vietnam's first-ever sustainability-linked bonds (issued by BIM Land) and IFC and AIIB's participation in the first-ever blue bonds (issued by SeABank). The success of these interventions stemmed from the credibility and balance-sheet strength of DFIs, which mitigated investor concerns around credit risk, governance, and disclosure. IFC and AIIB acted not merely as financiers, but as market makers and signalers, demonstrating that longer-tenor, thematic bonds could be issued and absorbed by the market, when credit risk and governance concerns are addressed.

For MOBILIST, this case shows how anchor investments by DFIs can create proof points for market replication. The key lesson is that capital mobilisation can be accelerated by using DFIs strategically to demonstrate viable structures, establish benchmarks, and crowd in private investors.

**b. FTSE Emerging Market Upgrade:**

Vietnam's upgrade to FTSE Emerging Market status reflects the cumulative impact of wide-ranging, coordinated reforms. These included investments in market infrastructure such as the KRX system, improvements in foreign investor access and settlement processes, enhanced regulatory frameworks, and gradual strengthening corporate disclosure and transparency standards. The upgrade was successful because reforms were implemented holistically rather than in isolation. Authorities addressed operational, legal, and accessibility barriers in parallel, signalling long-term commitment at a high policy level and improving Vietnam's credibility with global investors.

Building on this trajectory, it is reasonable to expect further significant reforms in Vietnam's capital markets over the coming years, particularly in areas related to the overall health of the financial sector, policy predictability, and data transparency. These priorities are closely aligned with the Government's stated objective of achieving an upgrade of Vietnam's sovereign credit rating to investment-grade by 2030. In this context, the proposed recommendations should be viewed as part of a holistic reform pathway, supporting the broader stated national objectives.

**c. Verified Green and Guaranteed Corporate Bonds:**

The recent cases of bonds that are externally verified, aligned with international principles, and supported by international guarantees have attracted strong interest from insurers and long-term institutional investors, enabling lower funding costs and longer tenors compared to conventional corporate bonds (e.g. the 20-year bond issued by Hoa Binh-Xuan Mai Clean Water had a fixed interest rate of 5.75%/year). These transactions succeeded thanks to the guarantee and third-party verification that reduced uncertainty around use of proceeds, project quality, and issuer governance.

For MOBILIST, this case highlights the importance of credit enhancements and standards in emerging market like Vietnam. Strengthening verification, disclosure, and risk-mitigation mechanisms can be powerful in expanding long-term institutional investor participation.

**4. KRX Trading System Upgrade:**

Vietnam's implementation of the KRX trading system represents a critical infrastructure reform underpinning broader capital market development. By replacing legacy systems with a modern trading, clearing, and settlement platform, the upgrade enables faster processing, improved market surveillance, and the technical foundations for

new products such as expanded derivatives, short selling, and central counterparty clearing.

The success of the KRX upgrade lies in its comprehensive scope and the decision to partner with an experienced international exchange operator. Rather than incremental fixes, Vietnam adopted a system aligned with international standards, addressing long-standing operational constraints faced by institutional and foreign investors.

This case illustrates that market infrastructure is a prerequisite for liquidity, product diversification, and investor confidence. The key lesson is that deep capital market reforms require investment in systems and operations, not only regulatory changes.

## II. Philippines

### 1. Background

The Philippines presents a resilient macroeconomic profile anchored by robust domestic consumption, favorable demographic dividends, and steady foreign exchange inflows from overseas remittances and the globally competitive IT-BPM (Information Technology and Business Process Management) sector. The country has consistently posted strong GDP growth rates, demonstrating structural resilience against external headwinds. This consumption-driven baseline provides a stable foundation for corporate earnings, particularly in the retail, real estate, and financial sectors, maintaining the country's position as a compelling destination for emerging market allocations.

To sustain this growth trajectory and meet its ambitious national infrastructure pipelines and renewable energy transition targets, the Philippines requires significant capital mobilisation. The scale of funding required for these long-term developmental projects exceeds the conventional lending capacity of the domestic banking system. This structural financing gap creates a distinct demand pull for deeper equity and corporate bond markets. In response, regulatory authorities, including the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP), are actively advancing capital market development blueprints designed to institutionalise market infrastructure, digitise trading platforms, and broaden the institutional investor base.

**Risk Analysis:**

**FX Volatilities:** The Philippine Peso operates under a market-determined exchange rate regime, with the central bank utilising a credible, data-driven inflation-targeting framework. The BSP maintains comfortable gross international reserves and generally intervenes in the spot market primarily to smooth extreme volatility rather than defending specific currency levels. However, managing foreign exchange exposure remains a structural consideration for international participants. The onshore market for long-tenor currency hedging and advanced derivatives remains nascent. For Development Finance Institutions (DFIs) and foreign funds deploying anchor capital, the absence of deep exchange-traded derivatives or highly liquid cross-currency swaps creates a structural mismatch. This limits the toolkit available to efficiently hedge large, multi-year local currency exposures, requiring alternative risk-mitigation strategies when structuring developmental finance vehicles.

**Market Risk:** A defining characteristic of the Philippine capital market is its high degree of concentration. Market capitalisation and index weightings are heavily skewed toward a select group of established, family-controlled conglomerates predominantly operating in the banking, property, and holding firm sectors. This concentrated architecture introduces systemic market risk, as broader index performance and secondary market liquidity are intrinsically tied to the strategic decisions and financial health of a narrow cohort of mega-cap entities. Furthermore, this concentration limits the diversity of investable assets for institutional funds, making the broader public market highly sensitive to sector-specific shocks or shifts in the macroeconomic interest rate environment that disproportionately affect capital-intensive industries.

**Political & Regulation Risk:** The Philippine regulatory framework is actively evolving to align with international standards, yet market participants continue to navigate complex administrative frictions. While primary legislations are well-established, the specific implementation of market-making mechanisms, such as the operationalisation of Securities Borrowing and Lending (SBL) and the harmonisation of tax treatments across different asset classes, requires intricate coordination across multiple government agencies, including the SEC and the Bureau of Internal Revenue (BIR). For DFIs, this multi-agency regulatory structure necessitates longer lead times for executing novel blended-finance or thematic instruments, as legal and tax treatments for new asset classes must be carefully established.

## 2. "What we heard" summaries

**Unlocking Insurance Capital:**

- Interviews with institutional investors revealed that the market is awash with liquidity, but it is trapped by regulation. They explicitly stated that holding corporate bonds incurs a "punitive" Risk-Based Capital (RBC) charge, whereas sovereign bonds carry a zero charge. Consequently, insurers are structurally incentivised to hoard government securities because corporate yield spreads rarely compensate for the capital cost.
- We moved away from recommending direct DFI lending and instead prioritised Credit Guarantees. They confirmed that a supranational guarantee (covering 30–50%) would lower the risk weighting of the asset, effectively neutralizing the capital charge and unlocking their balance sheet for mid-tier infrastructure projects. The recommendation now focuses on using DFI AAA-ratings to "crowd in" domestic insurers rather than competing with them.

**Derivatives Market: Expertise Over Capital:**

- Interview with a regulator revealed that technical expertise is more critical than funding in launching a derivatives market to provide hedging tools for foreign investors, The barriers are operational: drafting clearing rules, establishing a Central Counterparty (CCP), and educating local brokers on risk management.
- The intervention model is adjusted from "infrastructure investment" to Technical Assistance (TA) for Market Architecture. The recommendation now specifically targets technical assistance to PSE in building the risk protocols and clearing framework required to launch a functional derivatives exchange in the next 2–3 years.

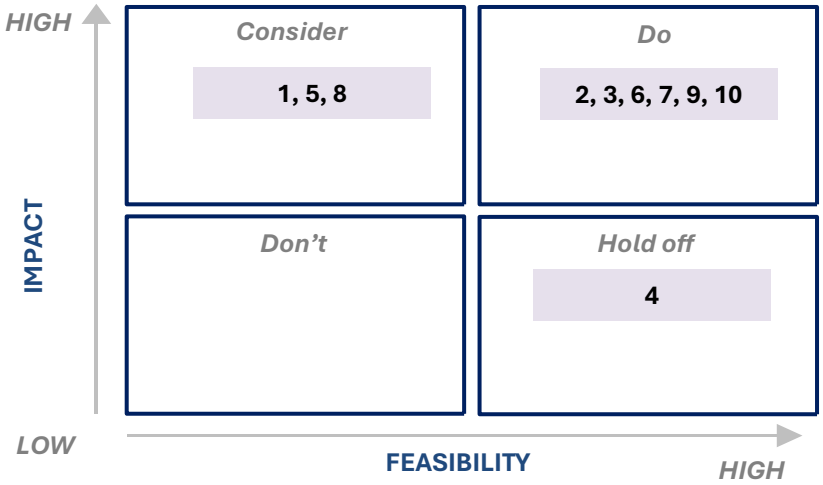
**Addressing the "Unbankable" Agriculture Sector:**

- Discussions on sustainable finance often focus on renewable energy, but institutional investors highlighted a critical gap in the agricultural sector. They expressed a desire to fund agricultural projects but are prevented by an inability to model "calamity risk" (e.g., typhoons). Without data to price this specific risk, these projects remain unbankable.
- We introduced a specific recommendation for Data & Model Transfer. Rather than just providing funds, DFIs are recommended to share proprietary actuarial models and climate risk datasets with local insurers. This specific technical transfer aims to make agricultural insurance and lending viable, directly addressing the data gap cited by asset managers.

**Removing Friction:**

- Regulators identified that while high-level regulations (like short-selling guidelines) are often approved, they fail at the implementation level. Specifically, the requirement to obtain manual tax exemption certificates from the Bureau of Internal Revenue (BIR) for Securities Borrowing and Lending (SBL) can take "months or even years," effectively paralyzing the market.
- We elevated Policy Advocacy for Tax Digitisation to a priority recommendation. Instead of proposing new laws, the report now recommends a DFI-backed technical working group to facilitate high-level dialogue between the PSE, SEC, and BIR to digitise or fast-track these specific clearances, unlocking liquidity mechanisms that are currently dormant.

### 3. Actionable recommendations




| Binding Constraint Category | Constraints | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
|---|---|---|---|---|---|---|
| | | | 0-6 months | 6-24 months | 2-5 years | |
| **Role of Anchor Investors & Catalytic Capital** | Limited risk-sharing mechanisms | 1. **Anchor a Listed "Credit Enhancement" Facility -** Establish a listed vehicle (funded by MOBILIST Equity + DFI leverage) that provides Credit Guarantees for mid-cap bonds. This "wraps" the bond, lowering the risk weight for insurers and allowing them to invest. | | | X | **MOBILIST (Anchor Investor**), Multilateral DFIs |
| | Need for market signaling and crowding-in effect | 2. **Anchor "Lighthouse" Spinoffs & REITs** - Act as a cornerstone investor for 1-2 high-profile conglomerate spinoffs or non-property REITs (e.g., Energy/Infra REITs). MOBILIST participation validates the valuation, encouraging families to list assets rather than privatise them. | | X | | **MOBILIST Anchor Investor**), Conglomerates (Issuers) |
| | | 3. **Establish a cornerstone investor facility** (e.g., via MOBILIST/DFIs) underwrite a portion of the public float for mid-size IPOs (companies worth PHP 1-50 billion, the tier that still requires a 20% float under the tiered regime), reducing execution risk and supporting successful price discovery. | X | | | **MOBILIST (Anchor Investor**), Multilateral DFIs |
| | | **Considerations:** Anchoring a listed credit enhancement facility (Recommendation 1) is structurally and institutionally complex, posing lower immediate feasibility despite its massive potential upside. On the demand side, the corporate bond market remains relatively shallow, with issuance activity limited and dominated by a small number of large corporates. On the secondary market, liquidity is thin and largely over-the-counter, with limited price transparency and benchmark formation, reducing the effectiveness of credit enhancement in improving tradability. The lack of a regulatory foundation for guarantee companies also contributes to low feasibility of the initiative.<br>Acting as a cornerstone investor for energy or infrastructure REITs aligns with MOBILIST's core investment mandate, which explicitly supports providing equity to listed vehicles as a minority anchor investor. By validating market pricing, this capital deployment directly mitigates the perceived valuation risks that currently drive family conglomerates toward privatisation. Feasibility is high, supported by an established REIT regulatory framework, an active pipeline of potential conglomerate spin-offs, and growing policy support to expand eligible REIT asset classes. However, REIT or spinoff listings remain sensitive to market conditions, as seen in delayed transactions during weaker equity markets, which could affect execution timelines. Additionally, non-property REITs (e.g. energy or infrastructure) may face structuring and regulatory complexities, particularly around asset eligibility and revenue stability. However, these risks are mitigable through careful selection of high-quality "lighthouse" transactions, strong structuring standards, and MOBILIST's role in enforcing governance and disclosure best practices.<br>Establishing a cornerstone investor facility (e.g. via MOBILIST/DFIs) to underwrite a portion of the public float for mid-size IPOs (PHP 1-50 billion) would have high impact by | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | reducing execution risk, supporting price discovery, and bringing more high-quality mid-size listings to market. Large-cap IPOs already benefit from the lower float tiers and have attracted DFI cornerstones, as in the 2025 Maynilad IPO. In markets like the Philippines, where IPO pipelines are often constrained by valuation uncertainty and demand visibility, such a facility can play a catalytic role in anchoring investor confidence, improving deal certainty, and crowding in both domestic and foreign institutional investors. Feasibility is high, as the model builds on established cornerstone investor practices and can be implemented through existing DFI platforms without requiring major regulatory changes. | | | | |
| **Market Readiness** | Limited issuer pipeline & IPO readiness | **4. "IPO Readiness" Multiplier Platform** - Fund a centralised "pre-IPO" incubator (TA) that aggregates advisory, underwriting, and legal prep for potential issuers. This reduces the high upfront cost and complexity of going public, addressing the "cumbersome" listing process cited by market participants. | **X** | | | PSE (Host), Inv. Banks (Partners), DFIs (Funding) |
| | | **5. Promote "Originate-to-Distribute" Models** - Policy work to encourage banks to package infrastructure loans into securitised listings (securitisation). This frees up bank balance sheets (currently hoarding loans) and creates new listed assets for the market. | | | **X** | Bangko Sentral (BSP), Banks |
| | | **Considerations:** Implementation of the "IPO Readiness" multiplier platform is practical as it can build on existing advisory ecosystems and does not require major regulatory changes. However, the overall impact may be more limited and gradual. While the platform can improve issuer readiness and increase the pipeline of potential listings, actual IPO activity ultimately depends on broader market conditions, such as investor demand, valuation expectations, and liquidity in the secondary market. Key risks include low conversion rates from prepared issuers to executed IPOs, particularly during periods of weak market sentiment, and the possibility that advisory support alone does not overcome deeper issues such as ownership concentration, governance readiness, or reluctance of family-owned firms to dilute control. To mitigate these risks, the platform should focus on high-potential issuers, align closely with exchange requirements, and ensure strong coordination with investors and underwriters to bridge the gap between preparation and execution.<br>Advancing policy work to promote "Originate-to-Distribute" securitisation models offers a significantly higher ceiling for new asset creation, warranting a "Consider" prioritisation, as this structural reform is institutionally complex. Domestic banks currently operate under a strong preference for holding large infrastructure loans to maturity. Shifting this behavior requires deploying specialised technical assistance to help regulators draft enabling frameworks and assist banks in packaging these loans into securitised listings. If properly executed, this could fit within MOBILIST's mandate, as it creates the exact type of listed, yield-generating vehicles that development finance can ultimately anchor as a minority investor. | | | | |
| | Information asymmetry & limited coverage | **6. Sponsor Independent Research Scheme** - Fund a "Research Subsidy Scheme" (modeled after SGX) that pays independent research firms to cover mid-cap and ESG-focused listed firms, improving price discovery and visibility for foreign investors. | **X** | | | PSE, Research Firms (Execution), DFIs (funding) |
| | | **7. Climate Risk Data Transfer** - Provide TA to transfer proprietary actuarial models and climate risk datasets to local insurers. This removes the "unquantifiable risk" barrier that currently prevents insurers from backing agricultural or climate-adaptation listings. | | **X** | | DFIs (technical & funding partners), Insurers (Adoption), |
| | | **Considerations:** Sponsoring an Independent Research Scheme to subsidise coverage of mid-cap and ESG-focused firms would have moderate to high impact by improving price discovery, increasing visibility among foreign investors, and addressing the current concentration of analyst coverage on large-cap names. This can help unlock institutional demand for under-researched segments and support broader market depth. Feasibility is high, as the model is well-established (e.g. SGX) and can be implemented through the exchange Key risks include potential perceived bias if research is subsidised, uneven quality across providers, and limited investor uptake if liquidity in covered stocks remains low.<br>Providing TA for Climate Risk Data Transfer could have high but more indirect impact by enabling insurers to better quantify and price climate-related risks, thereby unlocking their participation in financing sectors such as agriculture and climate adaptation. This addresses a key structural barrier where risks are currently seen as unquantifiable. Feasibility is moderate to high, particularly through partnerships with international experts and development institutions, though it requires technical capacity building and data integration at the insurer level. Risks include limited absorption capacity among insurers, challenges in adapting global models to local contexts, and uncertain translation into actual investment flows if regulatory or market incentives remain weak. | | | | |
| **Market Infrastructure** | Missing risk management tools | **8. Develop Derivatives Market** – DFIs to provide TA on the development of clearing rules and risk frameworks for a derivatives market. This allows foreign investors to hedge currency/market risk onshore. | | **X** | | PSE (Implementation), SEC (Approval), DFIs (TA providers) |
| | | **9. SBL Tax Process Digitisation Task Force -** Deploy a specialised TA team to facilitate a "Tax Tech" solution between BIR and PSE. The goal is to digitise the tax exemption | **X** | | | Bureau of Internal Revenue (BIR), PSE |

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| | | certificate for Securities Borrowing and Lending (SBL), unlocking the "frozen" short-selling market. | | | | |
| | | **Considerations:** Developing a derivatives market, including drafting clearing rules and risk frameworks, would have high impact by enabling on shore hedging of currency and market risks, an important enabler for foreign institutional participation and more sophisticated investment strategies. However, feasibility is low in the near term, as it requires significant regulatory development, market infrastructure (e.g. clearing and margining systems), and participant readiness. Resource implications are substantial, including regulatory design, capacity building for exchanges and clearing entities, and risk management frameworks. Key risks include low initial liquidity, limited understanding among domestic investors, and potential systemic risks if risk controls are not robustly implemented. A phased approach, starting with simple products and strong safeguards, would be critical.<br>Establishing a Tax Process Digitisation Task Force for Securities Borrowing and Lending (SBL) to streamline and digitise tax exemption certification between the Bureau of Internal Revenue and the Philippine Stock Exchange would have moderate to high impact by unlocking short-selling activity that is currently constrained by administrative frictions. Feasibility is high, as the solution is primarily operational and technological rather than regulatory, though it requires strong inter-agency coordination. Key risks include implementation delays due to coordination challenges, resistance to process changes, and cybersecurity or system reliability concerns. However, these risks are manageable, and successful digitisation could deliver quick wins in improving market functioning. | | | | |
| | ESG standard & verification gaps | **10. Anchor a "ESG Covenant Enforcement" Structuring Standard:** Deploy TA to establish a market-wide term sheet convention – modeled on international standards but with binding contractural teeth, to standardise step-up coupon triggers, ESG KPI definitions, and third-party verification requirements at issuance; act as a cornerstone investor in 1-2 pilot issuance to force the market convention into existence by example. | | **X** | | DFIs, **MOBILIST,** issuers |
| | | **Considerations:** This would have high impact by addressing one of the key credibility gaps in the Philippine ESG bond market, namely weak enforcement of KPIs and inconsistent structuring of sustainability-linked features. Standardising step-up coupon triggers, KPI definitions, and verification requirements would enhance investor confidence, improve comparability across issuances, and strengthen alignment with international ESG expectations. Feasibility is high, as the initiative can be implemented through market-led standardisation supported by targeted technical assistance, without requiring immediate regulatory mandates. Developing model term sheets, KPI frameworks, and verification standards is operationally straightforward and can build on existing international practices. MOBILIST's role as a cornerstone investor in pilot transactions further strengthens feasibility by creating strong incentives for issuers and arrangers to adopt the standard, demonstrating its practicality and accelerating market acceptance. Key risks include limited market adoption if issuers perceive stricter covenants as increasing costs or reducing flexibility, as well as the risk of over-standardisation that may not suit all sectors or transaction types. | | | | |

## 4. Case studies to ground recommendations

### a) The "Energy Transition Mechanism" (ETM) Pivot

*Subject:* ACEN Corporation (Ayala Group)

*Theme:* Bridging the "Missing Middle" with Blended Finance & Tech-Driven Retirement

*The Challenge:* Philippine conglomerates are heavily invested in coal assets with long economic lives. Retiring them early to switch to renewables is financially irrational because it destroys shareholder value. ACEN needed a way to divest its 246MW coal plant (South Luzon Thermal Energy Corp - SLTEC) without taking a massive loss, while simultaneously raising capital for new solar/wind projects.

*The Solution:* ACEN executed the world's first market-based Energy Transition Mechanism (ETM) deal in November 2022.

- Structure: ACEN divested the coal plant into a special purpose vehicle (SPV).
- Blended Finance: The SPV was funded by ₱13.7 billion ($235 Million) in debt (BPI & RCBC) and ₱3.7 billion ($63.5 Million) in equity from institutional investors, including the Government Service Insurance System (GSIS) and Insular Life (InLife).
- The "Kicker": The deal reduced the plant's operating life from 50 years to 15 years (retiring by 2040).
- Proceeds Use: ACEN received ₱7.2 billion ($123.5 Million) in fresh capital, which it exclusively ring-fenced for new renewable energy investments.

This case demonstrates that domestic institutional investors, such as insurers and pension funds, are willing to invest in complex climate-transition structures if the risk is

managed appropriately. It confirms that Mobilist can mobilize local capital for transition projects by helping structure similar investment vehicles.

**b) BDO Unibank Blue Bond Issuance**

*Subject:* BDO Unibank & International Finance Corporation (IFC)

*Theme:* Creating a New Asset Class for Water & Marine Infrastructure

*The Challenge:* The Philippines has massive "Blue Economy" needs, but there was no financial instrument to fund these specific projects. Banks typically just lumped them into general loans, meaning there was no price differentiation for "Blue" projects.

*The Solution:* In 2022, BDO issued the Philippines' first Blue Bond, amounting to $100 Million.

- Anchor Investor: The IFC (International Finance Corporation) subscribed to the entire issuance.
- Use of Proceeds: Strictly allocated to projects that prevent marine pollution (wastewater treatment) and preserve clean water resources.
- Technical Assistance: IFC provided technical expertise to help BDO define what qualifies as "Blue" (preventing greenwashing) and how to monitor impact.

This validates the "Anchor Investor plus Technical Assistance" model. The initial support from a development finance institution established the necessary standards. Following this successful precedent, BDO subsequently raised significant capital from the domestic market through ASEAN Sustainability Bonds:

- ₱52.7 Billion ($904 Million) in 2022
- ₱63.3 Billion ($1.08 Billion) in 2024
- ₱100 Billion ($1.71 Billion) in January 2026 (Record issuance, 20x oversubscribed)

This proves that initial DFI support helped prime for massive domestic liquidity.

**c) The REIT Market Liberalization**

*Subject:* AREIT (Ayala Land) & The REIT Law Reform

*Theme:* Regulatory Reform Unlocking Massive Liquidity

*The Challenge:* The Philippines passed a REIT law in 2009, but for 11 years, zero REITs were listed due to a 67% minimum public float requirement and a VAT on asset transfers, making it commercially unviable.

*The Solution:* In 2020, the government relaxed the rules (Float reduced to 33%, VAT removed).

- The Result: AREIT (Ayala Land) listed as the pioneer in 2020.
- The Explosion: Following AREIT's success, the market saw a wave of listings.
- Growth: By the end of 2023, AREIT's Assets Under Management (AUM) had grown from ₱30 Billion ($514 Million) at IPO to over ₱87 Billion ($1.49 Billion). By early 2026, driven by further asset infusions (Project Agora), AUM is projected to reach ₱158 Billion ($2.71 Billion).

This example illustrates that regulatory reform is often a prerequisite for capital mobilisation. The private sector possessed the assets and the intent to list, but activity was stalled by policy barriers. This supports the recommendation for Mobilist to fund policy advocacy and technical assistance (such as tax digitization) to unlock stagnant market segments.

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# III. Indonesia

## 1. Background

**Outlook revision and Rupiah vulnerability**

Indonesia's domestic macroeconomic environment is characterized by stable growth, strong domestic consumption, and an improving investment climate. However, entering 2026, recent outlook revisions from major rating agencies and major external shocks have affected capital flow and amplified Rupiah vulnerability.

Rupiah foreign exchange (FX) volatility reflects its status as a commodity-linked emerging market economy highly exposed to global capital flows. As a result, the rupiah often experiences pressure during periods of global monetary tightening, shifts in investor sentiment, or domestic political transitions.

To mitigate these risks, Bank Indonesia has implemented several policy tools to strengthen rupiah stability and domestic FX liquidity. These include requiring exporters to place foreign-exchange proceeds in the domestic banking system, introducing Domestic Non-Deliverable Forwards (DNDFs) to enable onshore FX hedging, and issuing tradable securities, such as SRBIs, to manage liquidity in the financial system.

Despite the deployment of these policy tools, their ability to stabilize the rupiah remains partial. External factors such as interest-rate policy by the Federal Reserve, shifts in global investor sentiment toward emerging markets, and fluctuations in commodity prices (oil and gas in particular in the wake of the Iran-USA & Israel war) continue to exert significant influence on the currency. Domestic factors, including concerns over Indonesia’s growth outlook or rising fiscal deficits, may also contribute to persistent pressure on the rupiah and surging bond yields.

**Political transition and high growth strategies**

Indonesia’s political cycle also shapes capital market dynamics. Presidential and legislative elections occur every five years, with major policy transitions typically emerging roughly every decade when administrations change. The most recent transition in 2024 created a period of uncertainty, during which investors adopted a cautious “wait-and-see” approach. This contributed to weaker IPO activity in 2024, with only a modest recovery observed by September 2025.

Market participants note that the current administration is pursuing a more ambitious economic agenda compared with the previous government, which prioritised macroeconomic stability. The new administration has set a target of achieving 8% economic growth by 2029. It has signalled optimism for capital market performance, including expectations that the Jakarta Composite Index (JKSE) could reach 10,000 points by 2026.

Several initiatives reflect this more assertive strategy, including the establishment of the sovereign wealth fund Danantara Indonesia and the signing of new international trade agreements with the European Union, the Eurasian Economic Union, and the United States. At the same time, regulatory reforms are being considered to address market structure and investability concerns raised by global institutions such as MSCI and Moody’s.

### 2. “What we heard” summaries:

Based on the stakeholder interviews, the recommendations were not developed in isolation. Still, they were directly shaped and refined by recurring market frictions identified by investors, regulators, rating agencies, and listed companies.

**Credit Rating Thresholds as a Structural Market Constraint**

Strong investor reliance on rating thresholds—particularly the “single-A cliff”—directly informed the recommendation to introduce graduated capital charges for investment-grade bonds and expand credit enhancement mechanisms. Interviewees highlighted how small rating differences materially affect demand, pricing, and issuance decisions. As a result, recommendations shifted from generic market-deepening measures to targeted interventions designed to smooth the BBB–A boundary and reduce cliff effects.

**Strengthening Secondary Market Liquidity**

Persistent concerns about weak secondary-market liquidity and buy-and-hold behaviour shaped proposals to expand repo eligibility, introduce market-making mechanisms, and standardize bond structures. Feedback from both fund managers and Bank Indonesia underscored that liquidity, not rating infrastructure, was the binding constraint. This led to prioritizing institutional liquidity enablers rather than retail-driven solutions.

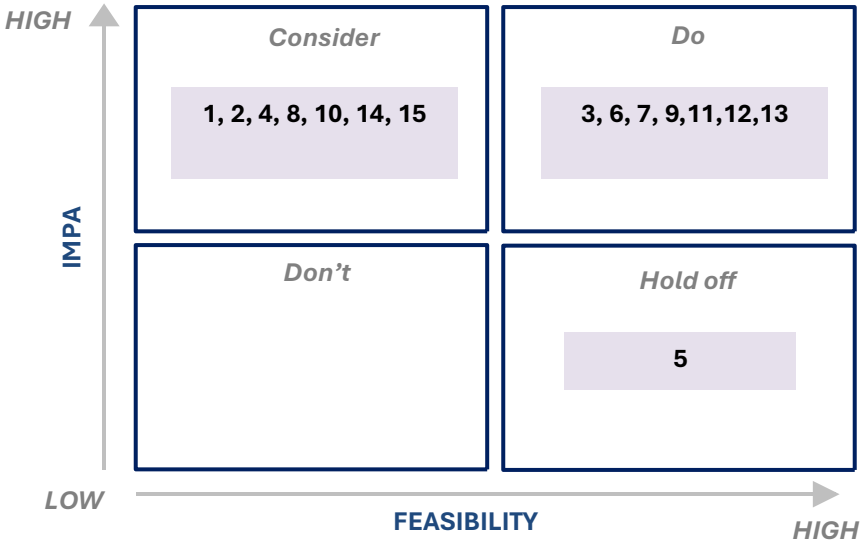
**Institutional Demand for Corporate Bonds**

Stakeholder insights into the limited role of insurance and pension funds due to regulatory and risk constraints directly influenced recommendations to recalibrate investment limits and better account for credit ratings and guarantees in risk-weighting frameworks. The aim is to unlock institutional balance sheets while maintaining prudential safeguards.

**Reforming IPO Processes and Free-Float Requirements**

Interviews highlighting IPO process burdens, free-float weaknesses, and disclosure credibility issues refined equity-market recommendations to focus on enforceable free-float standards, streamlined processes, and consistent enforcement rather than simply increasing listings.

### 3. Actionable Recommendations:




| Binding Constraint Category | Constraint | Actionable Recommendations | Timeframe | | | Stakeholder responsibility |
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| | | | 0-6 months | 6-24 months | 2-5 years | |
| **Market Readiness** | Narrow institutional investor base | 1. Recalibrate investment limits for institutional investors (insurance companies, funds) to explicitly recognise credit ratings and guarantees in risk-weighting, building on the shift toward risk-based capital frameworks | | X | | Ministry of Finance, OJK |
| | | 2. Introduce graduated capital charges for investment-grade corporate bonds, rather than cliff-edge treatment, to improve liquidity and investor participation in BBB-rated bonds. | | X | | OJK |
| | | 3. Expand the number and coverage of credit enhancement vehicles to improve the investability and liquidity of BBB and sub-investment-grade corporate bonds. At present, credit enhancement options are largely limited to SMI and SMF. | | X | | OJK, Ministry of Finance |

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| | | **Considerations**: Recalibrating investment limits for institutional investors (insurers and pension funds) to explicitly recognise credit ratings and guarantees in risk-weighting could broaden the domestic investor base for corporate bonds and enable institutions to allocate capital across a wider range of instruments. The reform is broadly feasible within the country's ongoing shift toward risk-based prudential frameworks, though it would require regulatory adjustments and stronger risk-management capabilities among institutional investors. Careful safeguards would be necessary to prevent excessive risk-taking or regulatory arbitrage if guarantees or ratings are treated too generously.<br>Building on this, introducing graduated capital charges for investment-grade corporate bonds, rather than cliff-edge treatment, could improve liquidity and investor participation, particularly for BBB-rated bonds. Small differences in credit ratings currently have disproportionate effects on demand and pricing. A more gradual approach would smooth the transition across rating categories and support a more continuous pricing structure. However, the reform would require careful calibration and periodic review to ensure capital requirements remain aligned with underlying credit risk.<br>Complementing these measures, expanding the number and scope of credit-enhancement vehicles could improve the investability of BBB and sub-investment-grade bonds, particularly for infrastructure or project-linked issuances. Implementation would require institutional capacity, potential expansion of existing mandates, and clear legal frameworks for guarantees. Careful design would also be needed to limit moral hazard and avoid excessive contingent liabilities for the public sector. | | | | |
| | High reliance on banks for corporate financing | 4. Encourage banks to originate loans (refinance via bond issuance) while retaining servicing roles and transferring balance-sheet risk. This frees bank balance sheets and deepens bond supply | | X | | OJK, Bank Indonesia |
| | | **Considerations**: This recommendation would support Indonesia's transition from a bank-dominated system toward a deeper capital market. Implementation would require clearer frameworks for loan-to-bond refinancing, securitisation, and disclosure standards.<br>The feasibility is moderate but would require supportive regulatory and market infrastructure. Clear frameworks for loan-to-bond refinancing, securitisation, or credit transfer mechanisms would need to be established and strengthened. Resource implications would mainly involve regulatory coordination between Bank Indonesia, OJK, and market participants to develop standardized structures, documentation, and servicing arrangements. Banks may also need to develop internal capabilities to structure and distribute credit exposures to capital market investors.<br>Key risks include weaker underwriting incentives and limited transparency if investors rely too heavily on bank-originated assessments, making strong disclosure and appropriate risk-retention rules important safeguards. | | | | |
| **Accessibility for Foreign and Institutional Investors** | Barriers to accessibility of capital markets | 5. Create co-funded research schemes for mid- and small-cap firms to improve price discovery and investor confidence | | X | | DFIs, IDX, brokers, **MOBILIST** |
| | | 6. Consistently enhance disclosure standards and ensure a level playing field in the equity market to strengthen foreign investor confidence. While OJK has announced corrective actions in response to MSCI's assessment, sustained and credible implementation will be essential to restore market trust. | X | | | OJK, IDX |
| | | 7. Undertake a review regarding the process and cost structure of transactions in the secondary corporate bond market. Streamline and reduce transaction costs to make smaller unit size bonds trading feasible | | X | | DFIs, OJK, KSEI, brokers, **MOBILIST** |
| | | 8. Review the regulation on commercial bank ownership limit on asset-backed securities. The current threshold for ABS owned by a commercial bank is between 10% – 25%. | | | X | DFIs, BI, OJK, KSEI |
| | | **Considerations**: Expanding research coverage for mid- and small-cap firms can enhance price discovery and attract investor interest. Strengthening disclosure standards and ensuring consistent enforcement would help restore foreign investor confidence. Reviewing transaction costs in the secondary corporate bond market could improve liquidity and enable trading of smaller bond units, while reassessing bank ownership limits for asset-backed securities (ABS) could support the development of Indonesia's securitisation market.<br>The reforms are broadly feasible within Indonesia's current regulatory framework but would require coordination among regulators, exchanges, and market participants. Research coverage initiatives could be implemented through partnerships between exchanges and research providers, while improvements in disclosure depend on consistent regulatory enforcement. Adjustments to bond market transaction costs and ABS ownership limits would require regulatory review and careful calibration to balance market development with financial stability.<br>Resource requirements are relatively moderate and largely regulatory in nature. Funding for research coverage could be shared between exchanges, regulators, and industry participants. Strengthening disclosure and enforcement would require enhanced supervisory capacity, while bond market and ABS reforms would mainly involve regulatory review and adjustments to market infrastructure and monitoring frameworks.<br>Key risks include potential conflicts of interest in co-funded research, increased compliance costs for listed companies, reduced revenues for intermediaries if transaction fees | | | | |

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| | | fall significantly, and higher bank exposure to securitised assets if ABS ownership limits are relaxed. | | | | |
| | Constrained market infrastructure and liquidity | 9. Diagnostic Analysis on IPO: (1) New evaluation metrics/parameters for the company to be eligible for the Initial Public Offering (IPO). The metrics/parameters should place greater emphasis on the company's quality (size, profitability, cash flow, etc.). (2) Cost, process, and time required | | X | | DFIs. OJK, IDX, **MOBILIST** |
| | | 10. Increase in the minimum free-float requirement for listed companies to improve market liquidity and trading quality. Gradual increase to 15% free-float requirement by 2027-2029 has taken place since 31 March 2026. | X | | | OJK, IDX, KSEI, AEI |
| | | 11. Extend repo eligibility to the central bank gradually to support liquidity and transactions in the corporate bonds secondary market. In the short term, prioritize AAA/AA-rated corporate bonds, then expand to A/BBB-Rated Bonds with credit enhancement. | | X | | BI, OJK, MoF, KSEI, **MOBILIST** |
| | | 12. Design a liquidity-provider program that puts liquidity providers (voluntary banks and securities firms) on the Liquidity List with spread caps by rating and tenor, minimum quote size, and uptime. Offer fee rebates, priority repo access, and capital relief for repo-matched inventory. | | X | | BI, OJK, KSEI, KPEI, **MOBILIST** |
| | | 13. Pilot corporate-bond securities lending of Liquidity List bonds by pension funds, insurers, and BPJS to liquidity providers through a central pool, against cash or SBN collateral with standard terms. | | X | | OJK, MoF, KPEI, KSEI, **MOBILIST** |
| | | 14. Standardise corporate bond structures, such as lot sizes and settlement conventions, and adopt digital distribution models similar to retail SBN to introduce a complementary retail liquidity layer. | | | X | DFIs, OJK, KSEI, brokers, **MOBILIST** |
| | | 15. Expand interest-rate and credit derivative instruments linked to corporate bond indices and key benchmark tenors to facilitate duration management and support longer-tenor corporate bond issuance. | | | X | BI, IDX |
| | | **Considerations:** Reviewing IPO eligibility metrics and listing processes could ensure stronger company fundamentals while reducing unnecessary listing costs and delays. Increasing the minimum free float (target 15%) would expand the tradable share base and improve price discovery. Standardising corporate bond structures and introducing digital distribution models could reduce market fragmentation and broaden retail participation. Expanding interest-rate and credit derivatives would also support duration management and facilitate longer-tenor corporate bond issuance.<br>A lack of funding has been a binding constraint of the liquidity in corporate bond market. Without funding, dealers hold no inventory that leads to wider spread and unobserved prices. This has created self-reinforcing loop hindering dealers hold inventory and take funding risks. Therefore, the repo and securities borrowing and lending (SLB) markets are crucial to a feasible market-making system. Bank Indonesia (BI) has expanded repo facilities to quasi-government securities (SMF & SMI) in 2025. Thus, adding high-investment-grade corporate bonds, coupled with liquidity-provider programs and SLB market initiatives, will address structural liquidity issues in the corporate bond market.<br>The reforms are broadly feasible within the current regulatory framework but require coordination among regulators, exchanges, and market participants. IPO reforms involve reviewing listing standards and approval processes, while higher free-float requirements would likely require phased implementation. Bond standardisation and digital distribution could be introduced through exchange guidelines, and the development of derivatives would require reliable bond indices and benchmark yield curves.<br>Resource requirements are mainly regulatory and infrastructure-related. IPO reforms require analytical and supervisory capacity, while free-float monitoring needs compliance oversight. Bond standardisation and digital distribution may require upgrades to trading platforms and settlement systems. Developing derivative markets would require technical capacity in pricing, clearing, and risk monitoring.<br>Tighter IPO standards may reduce listing volumes in the short term. Higher free-float requirements could pressure firms with concentrated ownership. Bond standardisation may face resistance from issuers, while expanding derivatives markets introduces risks related to leverage and market complexity. Strong oversight and phased implementation would therefore be essential. | | | | |

4. **Case studies to ground recommendations:** *(the cases are elaborated in the analysis of the Indonesian equity market)*

- **The mid-cap IPO case** studies demonstrate how valuation thresholds, free-float requirements, research coverage gaps, and listing costs materially affect listing decisions and post-listing liquidity. These findings directly ground the recommendations on revising IPO eligibility metrics, strengthening disclosure consistency, increasing free-float requirements, and introducing co-funded research schemes to improve investor discovery for mid- and small-cap firms.
- **The cross-listing case** highlights both the appeal of deeper liquidity pools and the structural gaps in domestic market competitiveness. This supports recommendations

aimed at enhancing foreign investor confidence, improving governance standards, and aligning market infrastructure with international practices to retain quality issuers domestically.

- **The IDX demutualisation case** provides institutional context for strengthening governance, commercial orientation, and product innovation at the exchange level, underpinning recommendations related to market infrastructure modernization, standardized bond structures, and development of derivatives linked to bond indices.
- **The credit enhancement cases** concretely show how guarantees and structured support mechanisms improve pricing, broaden investor participation (especially among institutions), and enable sub-investment-grade or BBB issuers to access capital markets. These cases directly support recommendations to expand credit enhancement vehicles, recognize guarantees in regulatory risk-weighting, and introduce graduated capital treatment for investment-grade bonds.

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# APPENDICES

## I. Vietnam Market

***Appendix 1: Vietnam's IPO pipeline***

| Company | Sector | Expected IPO year | Expected IPO deal size (USD million) | Financial indicators (USD million) | |
|---|---|---|---|---|---|
| | | | | Equity | Revenue |
| Kafi Securities | Financial services | 1Q 2026 | N/A | 206.3 | 37.5 |
| C.P Vietnam | Agriculture | 2026 – 2027 | N/A | 1,140.9 | 3,400.1 |
| Golden Gate Group | Food & Beverages | 2026 – 2027 | N/A | 54.7 | 259.6 |
| Hoa Phat Agriculture | Agriculture | 1Q 2026 | 47.72 | 126.8 | 270.4 |
| Pharmacity | Health Care | 2027 - 2028 | N/A | -1.5 | 200.6 |
| Gelex Infra | Real estate | 1Q 2026 | 106.29 | 710.1 | 510.1 |
| Dien May Xanh | Retail | 2026 | N/A | N/A | 2,328.7 |
| Galaxy Cinema | Travel & Leisure | 2027 – 2030 | N/A | 16.8 | 49.1 |
| Bach Hoa Xanh | Retail | 2027 - 2028 | N/A | 236.7 | 1,608.1 |
| F88 | Financial services | 4Q 2026 | N/A | 70.1 | 89.2 |
| MISA | Technology | 2027 – 2030 | N/A | 52.9 | 60.8 |
| Highlands | Food & Beverages | 2027 – 2030 | N/A | 19.0 | 179.5 |
| Sunhouse | Retail | 2027 – 2030 | N/A | 67.8 | 159.4 |
| Viettel IDC | Telecommunications | 2026 | N/A | 60.8 | 72.7 |
| DatvietVAC | Travel & Leisure | 2027 – 2030 | N/A | 58.0 | 0.0 |
| FPT Long Chau | Health Care | 2026 – 2027 | N/A | 42.2 | 1,005.0 |
| MOMO | Financial services | 2027 | N/A | 171.9 | 137.4 |

***Appendix 2: Profiles of IPO Candidates***

| Company | Profile |
|---|---|
| *Kafi Securities* | *Mid-sized, retail-focused Vietnamese securities firm providing brokerage, margin lending, and investment advisory services.* |
| *C.P Vietnam* | *One of the largest agribusiness and the Vietnamese subsidiary of Charoen Pokphand Group, a major Thailand agribusiness and food conglomerate. In Vietnam, C.P. Vietnam operates across feed mills, livestock farms, food processing, and distribution.* |
| *Golden Gate Group* | *A leading restaurant group in Vietnam operating multiple F&B brands across casual dining and café segments. The group has seen rapid expansion with strong presence in major cities* |
| *Hoa Phat Agriculture* | *The agricultural subsidiary of Hoa Phat Group, one of Vietnam's largest steel conglomerates. Hoa Phat Agriculture focuses on livestock farming, animal feed production and related agribusiness activities* |
| *Pharmacity* | *Pharmacity operates in thousands of stores nationwide, providing pharmaceuticals, healthcare products and basic consumer items. It has grown rapidly through franchise expansions and strategic partnerships.* |
| *Gelex Infra* | *A core subsidiary of GELEX Group focused on infrastructure investment and operations. Gelex Infra invests in and manages energy, IPs, logistics, and urban infrastructure projects across Vietnam* |
| *Dien May Xanh* | *A major consumer electronics and home appliances retail chain with 2,017 stores in Vietnam, owned by Mobile World Investment Corporation (MWG)* |
| *Galaxy Cinema* | *One of Vietnam's largest cinema chains, operating multiplex theaters nationwide.* |
| *Bach Hoa Xanh* | *A rapidly expanding grocery and fresh food retail chain with 2,564 stores in Vietnam, owned by Mobile World Investment Corporation (MWG).* |
| *F88* | *A leading consumer financial services company in Vietnam specializing in secured lending (against vehicles and valuable assets) through a nationwide retail network. F88 addresses underbanked and informal-sector borrowers.* |
| *MISA* | *Vietnamese enterprise software provider delivering accounting, tax, HR, and digital management solutions for SMEs, enterprises, and public institutions. MISA supports digitalization, transparency, and productivity improvements across Vietnam's SME and public sectors.* |
| *Highlands* | *One of Vietnam's largest branded coffee chains with extensive domestic retail footprint. The company integrates coffee sourcing, processing, and retail, contributing to value addition in Vietnam's coffee sector and formal employment in urban services.* |
| *Sunhouse* | *Domestic manufacturer and distributor of household appliances and consumer goods. Sunhouse operates local manufacturing facilities and distribution networks, supporting domestic industrial capacity, import substitution, and export growth.* |
| *Viettel IDC* | *Data center and cloud services subsidiary of Viettel Group. The company provides enterprise-grade digital infrastructure, cloud computing, and colocation services.* |
| *DatvietVAC* | *Integrated media and entertainment group engaged in content production, broadcasting, and digital platforms. DatVietVAC supports Vietnam's local content development, with growing digital distribution capabilities.* |
| *FPT Long Chau* | *Rapidly expanding pharmacy chain under FPT Retail (FPT Group). Focuses on standardized pharmaceutical retail, technology-enabled inventory management, and nationwide healthcare access, complementing Vietnam's expanding private healthcare ecosystem.* |
| *MOMO* | *Leading mobile wallet and fintech platform in Vietnam. Provides digital payments, remittances, bill payments, and embedded financial services. MoMo contributes to financial inclusion, cashless payments adoption, and digitization of MSMEs and households.* |

***Appendix 3: Top 10 fund managers by AUM in Vietnam:***

## Eastspring Investments

eastspring investments

### Company overview:

Eastspring Investments was established in May 2005, formerly known as Prudential Vietnam Fund Management Limited Liability Company from its establishment until re-branding on 9 December 2011. It is recognized as the largest fund manager in Vietnam by assets under management.

The company is wholly owned by Prudential Vietnam Assurance Private Limited and thus is part of the broader Prudential Group network in Asia, benefiting from the scale and investment expertise of this global financial services organization.

As a member of the Eastspring and Prudential ecosystem, it leverages both local market expertise and global investment capabilities to serve institutional and retail investors through a range of mutual funds, discretionary portfolios, and investment advisory services.

AUM: USD7 billion

Asset classes:

- Listed equity
- Fixed income

### Investment mandate:

Eastspring Investments Vietnam applies a long-term, value-oriented investment philosophy to the management of its funds and portfolios. This approach focuses on identifying and investing in assets that are fundamentally attractive over the long term, seeking to deliver consistent and sustainable returns for both institutional and retail clients in Vietnam and internationally.

### Local funds under management:

- Balanced funds: Eastspring Investments Vietnam Navigator Fund ("ENF")
- Equity funds: Eastspring Investments Vietnam ESG Equity Fund ("EVESG")

## Dragon Capital

### Company overview:

Dragon Capital is one of Vietnam's longest established and leading independent investment management firms, founded in 1994 and headquartered in Ho Chi Minh City.
Dragon Capital is known for its long-term, research-driven investment approach and for pioneering products such as the Vietnam Enterprise Investments Limited (VEIL) — a flagship closed-end fund listed on the London Stock Exchange. It emphasizes deep local market expertise, rigorous research, and responsible investing principles.

AUM: USD6 billion

Asset classes:

- Listed equity
- Fixed income
- Private equity

### Investment mandate:

Dragon Capital's investment mandate centers on long-term, high-quality investments that seek superior risk-adjusted returns by capturing growth opportunities in Vietnam and Southeast Asian emerging markets.

### Local funds under management:

Equity funds:

- DC Dynamic Securities
- DC Dividend Focus Securities

Bond funds

- DC Income Plus Bond Fund
- DC Bond Fund

ETFs

- VN30 ETF ("E1VFVN30")
- Diamond ETF ("FUEVFVND")
- Midcap ETD ("FUEDCMID")

## Bao Viet Fund

### Company overview:

Bao Viet Fund Management Company is a leading fund management firm in Vietnam and a 100% subsidiary of Bao Viet Group, leveraging the financial strength and long history of one of Vietnam's largest insurance and financial services groups.

AUM: USD5.8 billion

Asset classes:

- Listed equity
- Fixed income

### Investment mandate:

Operates with an investment mandate focused on achieving safe, efficient, and sustainable growth for its investors through disciplined portfolio management and diversified investment strategies, while leveraging its deep experience, research capabilities, and affiliation with Bao Viet Group.

### Local funds under management:

Equity funds:

- Baoviet Equity Dynamic Open-ended Fund ("BVFED")
- Baoviet Prospect Equity Open-ended Fund ("BVPF")

Bond funds:

- Baoviet Bond Open-ended Fund ("BVBF")

ETFs

- ETF BVFVN DIAMOND ("FUEBFVND")

## Manulife Investment Management (Vietnam)

### Company overview:

Manulife Investment Management (Vietnam) is a licensed asset management company and a wholly-owned subsidiary of Manulife Financial Corporation, operating as part of the broader Manulife

AUM: USD5.3 billion

Asset classes:

- Listed equity

Investment Management network in Asia. It was established in Vietnam in 2005.
The firm leverages the global capabilities of Manulife Investment Management, with a focus on delivering long-term value for investors through professional portfolio management and risk controls in line with international standards.

- Fixed income

### Investment mandate:

Operates with an investment mandate focused on delivering long-term, risk-adjusted returns for its clients through disciplined, research-driven portfolio management and strict risk controls.

### Local funds under management:

Equity funds:

- Manulife Equity Fund ("MAFEQI")

Balanced funds:

- Manulife Balanced Fund ("MAFBAL")
- Manulife Dynamic Investment ("MDI")

## VinaCapital

### Company overview:

VinaCapital is one of Vietnam's leading investment management firms, founded in 2003 and headquartered in Ho Chi Minh City. It manages a diversified portfolio, offering investment solutions across multiple asset classes. Unique in Vietnam for being a multi-disciplinary investment manager, VinaCapital oversees both open-ended funds for domestic and international investors and a closed-ended fund listed on the London Stock Exchange (VinaCapital Vietnam Opportunity Fund), while also managing segregated accounts and strategic investments.

### AUM: USD3.8 billion

### Asset classes:

- Listed equity
- Fixed income
- Private equity
- Venture capital
- Infrastructure & Clean Energy
- Real Estate
- Carbon Credit

### Investment mandate:

To identify and invest in compelling opportunities that benefit from Vietnam's long-term economic growth, delivering superior risk-adjusted returns to both domestic and international investors across multiple asset classes. The firm combines deep local market insight, extensive relationships, fundamental research, and disciplined portfolio construction.

### Local funds under management:

Equity funds:

- VinaCapital Dynamic Dividend Equity Fund
- VinaCapital Equity Opportunity Fund
- VinaCapital Equity Special Access Fund
- VinaCapital Modern Economy Equity Fund

Balanced funds:

- VinaCapital Insights Balanced Fund

Bond funds:

- VinaCapital Enhanced Fixed Income Fund
- VinaCapital Liquidity Bond Fund

ETFs:

- VinaCapital VN100 ETF

## Dai-ichi Life Vietnam Fund Management

### Company overview:

Dai-ichi Life Vietnam Fund Management Company (DFVN) is a Vietnam-based asset management firm established in February 2014 as a wholly-owned subsidiary of Dai-ichi Life Insurance Company of Vietnam, part of the Japanese Dai-ichi Life financial group. DFVN specializes in managing investment funds, portfolios, and providing investment advisory services.
The company leverages its local market expertise and international backing to offer diversified investment solutions aimed at generating long-term value for investors in Vietnam's securities markets.

### AUM: USD2.5 billion

### Asset classes:

- Listed equity
- Fixed income

### Investment mandate:

Focuses on building diversified investment portfolios tailored to the objectives of each fund it manages with the goal of delivering sustainable returns over medium to long-term horizons. DFVN's mandates emphasize fundamental analysis to select quality assets, including listed Vietnamese equities with solid growth potential and fixed-income securities with strong credit profiles, aligning with investor risk profiles and return expectations.

### Local funds under management:

Equity funds:

- DFVN Capital Appreciation Fund

Bond funds:

- DFVN Fixed Income Fund

## KIM Vietnam Vietnam Fund Management

### Company overview:

KIM Vietnam Fund Management Company (KIM Vietnam) is a Vietnam-registered asset manager and a subsidiary of Korea Investment Management (KIM), a major Korean investment firm with a long track record in Asia. The company first entered the Vietnamese market in 2006.
The firm leverages the global expertise and resources of its parent group to pursue long-term growth opportunities in Vietnamese markets, with flagship strategies such as dividend-growth and Vietnam-focused equity funds.

AUM: USD1.2 billion

Asset classes:

- Listed equity
- Fixed income

### Investment mandate:

Centers on active, research-driven equity investing in Vietnamese listed markets with a focus on long-term value and dividend-oriented opportunities.

### Local funds under management:

ETFs:

- ETF KIM Growth VN30
- ETF KIM Growth VN DIAMOND
- ETF KIM Growth VNFINSELECT

Equity funds:

- KIM Growth Dividend Equity Fund

## SSI Asset Management ("SSIAM")

### Company overview:

SSI Asset Management (SSIAM) is one of Vietnam's leading asset management companies, established in August 2007 as a 100% subsidiary of SSI Securities Corporation, a major securities firm in the country. It manages a diversified suite of investment products—including open-ended mutual funds, ETFs, private equity funds, and voluntary pension funds—serving both individual and institutional clients.

AUM: USD800 million

Asset classes:

- Listed equity
- Fixed income
- Private equity

### Investment mandate:

SSIAM's investment philosophy emphasizes value-oriented, fundamental analysis and robust risk management, combining both top-down and bottom-up approaches to identify quality investment opportunities in Vietnam's dynamic market.

### Local funds under management:

Equity funds:

- SSI Sustainable Competitive Advantage Fund (SSI-SCA)
- Vietnam Long-term Growth Fund (VLGF)

Balanced funds:

- SSI Elevate Future Fund (SSI-EF)

Bond funds:

- SSI Bond Fund (SSI-BF)

ETFs:

- SSIAM VNX50 ETF
- SSIAM VNFIN LEAD ETF
- SSIAM VN30 ETF

## PVI Asset Management ("PVIAM")

### Company overview:

PVI Asset Management (PVI AM) is a Vietnamese fund management company and a subsidiary of PVI Holdings, one of Vietnam's leading insurance and financial services groups. It specialises in professional investment solutions across fixed-income, equity, and alternative strategies for institutional and individual investors, leveraging disciplined risk management and value-focused portfolio construction.

AUM: USD600 million

Asset classes:

- Listed and unlisted equity
- Fixed income

In the infrastructure and real estate sectors

### Investment mandate:

Focuses on disciplined, long-term capital allocation with an emphasis on fixed-income and high-quality assets. Its approach combines fundamental credit assessment, risk control, and flexible asset allocation tailored to market cycles, prioritising capital safety and predictable income over short-term speculative gains.

### Local funds under management:

Balanced funds:

- PVI Infrastructure Investment Fund ("PIF")

## MB Capital

### Company overview:

MB Capital is one of Vietnam's established fund management companies, founded in 2006. It is a wholly-owned subsidiary of Military Commercial Joint Stock Bank (MBBank), benefiting from the bank's strong financial foundation, extensive branch network, and digital capabilities to serve a broad range of investors.

AUM: ~USD350 million

Asset classes:

- Listed equity
- Fixed income
- Private equity

### Investment mandate:

Centres on delivering long-term value through diversified, research-driven portfolio management tailored to different investor objectives.

### Local funds under management:

Bond funds:

- MB Active Money Bond Fund ("MBAM")
- MB Bond Fund ("MBBond")

Equity funds:

- MB Capital Value Fund ("MBVF")
- Bordier-MB Flagship Growth Fund ("BMFF")

***Appendix 4: Top 3 institutional brokers/investment bankers:***

## Vietcap Securites (HOSE: VCI)

### Company overview:

Vietcap is one of the fastest growing securities companies in Vietnam, with a leading investment bank and a top brokerage house. The company was founded in 2007 and is headquartered in Ho Chi Minh City.

In 2023, the firm officially rebranded from Viet Capital Securities to Vietcap Securities to unify its brand identity and support its market presence.

Vietcap serves a mix of domestic and institutional investors, positioning itself as both a retail broker and an investment banking service provider.

Key financials* (USD million):

| | |
|---|---|
| **Total assets** | **1,041** |
| **Total equity** | 507 |
| **Revenue** | 145 |
| **Profits after tax** | 36 |

*(*) 2024 data*

### Competitive advantages:

- Full-suite services enabling diverse revenue streams and underpinning a sustainable business model
- Strong focus on technology and product expansion to become the go-to brokerage platform
- Owner-manager model: Key management personnel, who have significant stakes in the company, are highly experienced professionals.

### Brokerage:

- Top 3 in foreign trading market share and ranks 5th in the overall brokerage market share on HOSE (6%)
- Extensive distribution domestically and internationally
- Prominent corporate access including Vietnam's largest annual investment conference, Vietnam Access Days

### Investment Banking:

- Advisor to most landmark transactions in Vietnam. Some notable deals include: sole advisor for transfer of 49% charter capital of FE Credit (USD1bn), co-advisor for the IPO & listing on HoSE of Vietjet Air (USD1.3bn).
- International team – 50% are foreigners, have worked or studied abroad. Leaders have worked for bulge bracket investment banks (Goldman Sachs, Merrill Lynch, Credit Suisse and JP Morgan).
- Strong local connections amassed from completed deals in various industries
- Ability to leverage leading institutional buyside client base for distribution

## Ho Chi Minh City Securities ("HSC") (HOSE: HCM)

### Company overview:

Ho Chi Minh City Securities Corporation ("HSC") is one of Vietnam's leading securities brokerage and investment banking firms, established in 2003 and headquartered in Ho Chi Minh City.

Dragon Capital, a prominent Vietnam-focused investment management group, has been a strategic shareholder of HSC since mid-2000s, holding 32% of its charter capital.

HSC's combination of a strong market presence, research capabilities, and strategic institutional partnerships positions it as an important player in Vietnam's capital markets.

Key financials* (USD million):

| | |
|---|---|
| **Total assets** | **1,227** |
| **Total equity** | 409 |
| **Revenue** | 167 |
| **Profits after tax** | 41 |

*(*) 2024 data*

### Competitive advantages:

- Full-suite services enabling diverse revenue streams and underpinning a sustainable business model
- Has one of Vietnam's largest research group with professional capabilities
- Established presence and brand in Vietnam's capital markets

### Brokerage:

- Top 3 in foreign trading market share and ranks 4th in the overall brokerage market share on HOSE (6%)
- The institutional sales team is backed by the strong research capabilities that deliver actionable insights
- Delivers tailored programs connecting investors with Vietnam's leading corporates and policymakers. The company host Emerging Vietnam, an annual investment conference.

### Investment Banking:

- Extensive investor network and regulatory expertise
- Robust valuation capabilities and deep sector insights
- Some notable deals include: Sole bookrunner for Institutional Investors in the IPO of Techcombank Securities (USD410mn), IPO and listing advisor for Orient Commercial Bank (USD1bn of market cap), Sell-side advisor for the M&A of AEON Financial with PTF (USD172mn).

## SSI Securities (HOSE: SSI)

### Company overview:

SSI Securities Corporation is one of Vietnam's largest and longest-established securities firms. It was founded in December 1999 and is headquartered in Ho Chi Minh City.

The company actively contributes to market development and regulations, supports foreign investor access, and explores new financial products like derivatives and ETFs.

Key financials* (USD million):

| | |
|---|---|
| **Total assets** | **2,682** |
| **Total equity** | 884 |
| **Revenue** | 270 |
| **Profits after tax** | 85 |

| | |
|---|---|
| The company regularly pursues capital increases and strategic initiatives to expand business scale and strengthen its financial foundation. | *(*) 2024 data* |

**Competitive advantages:**

- Strong financial foundation and capital base: the company has one of the largest equity bases among Vietnamese brokerage firms, giving it significant capacity to expand margin lending and other services.
- A broad suite of financial services, which extends to asset management with the SSIAM brand – one of country's leading asset managers
- Deep market penetration and strong brand in Vietnam's financial ecosystem

**Brokerage:**

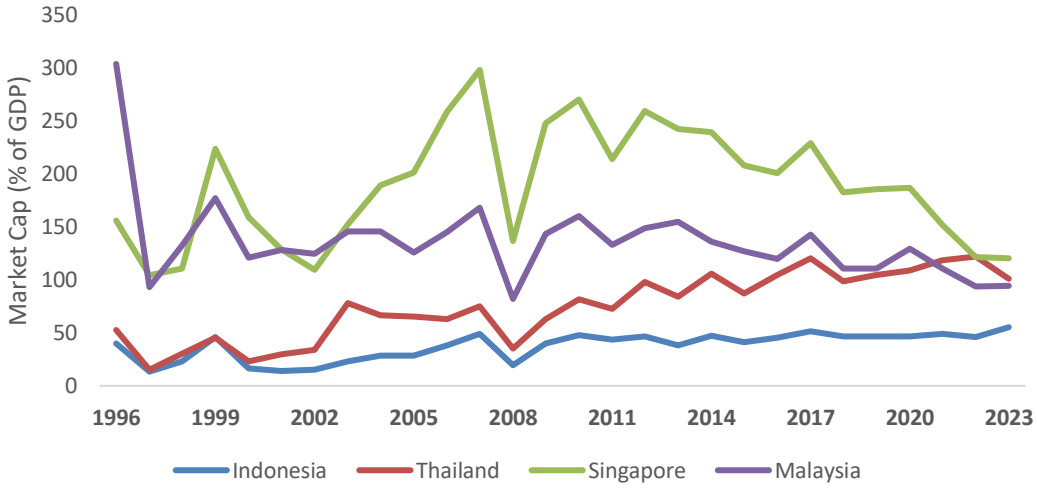
- Top 3 in foreign trading market share and ranks 2nd in overall brokerage market share on HOSE (9%)
- Has one of the largest broker teams (over 800 full-time staff) and widest network across the country
- Prominent corporate access, hosting more than 500 corporate meetings per year
- Partnership with most reputable international brokers: HSBC, Credit Suisse, CitiGroup, etc.

**Investment Banking:**

- Global investor network and access to the most prestigious investors, including Blackrock, PYN Elite, Temasek, IFC, etc.
- Some notable deals include: Advisor for the divestiture by Petrolimex from PGBank (USD109mn), sole advisor for the M&A of Pharmacity (USD100mn), Listing Advisor for Vinpearl

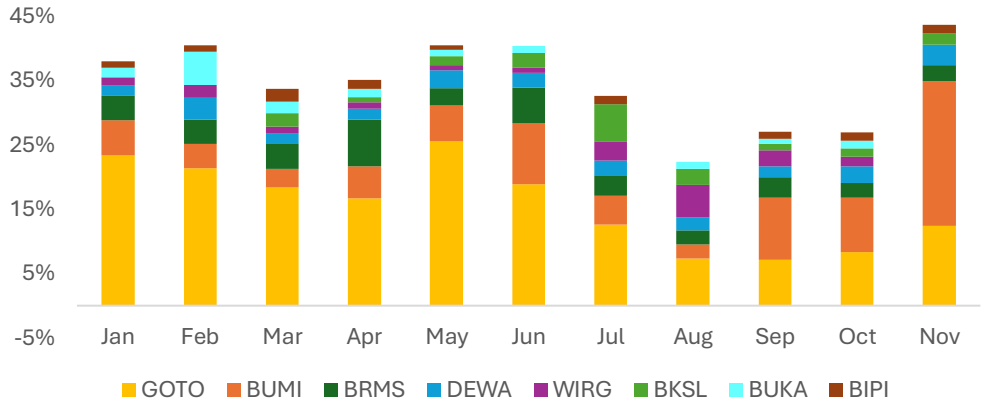
## II. Indonesia Market

***Appendix 5: Equity Market Cap as % of GDP, Southeast Asia (1996-2023)***




*Source: WorldBank*

***Appendix 6: Most Active Stocks by Share of Trading Volume (Jan-Nov 2025)***



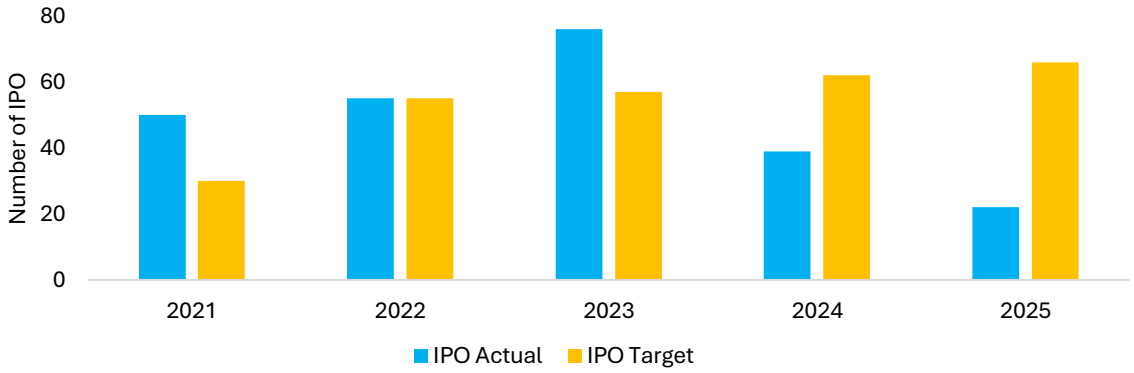
*Source: IDX*

***Appendix 7: Free Float % Across Southeast Asia***

| Country Name | Free Float Requirements |
|---|---|
| **KLSE Malaysia** | 25% |
| **SET Thailand** | 25% |
| **SGX Singapore** | 10% |
| **IDX Indonesia** | 7.5% |

*Source: Compiled from publicly available information on official stock exchange websites*

***Appendix 8: IPO Realisation vs. IDX IPO Target (2021-2025)***




*Source: Compiled from publicly available news reports*

***Appendix 9: Top 20 Largest Fund-Raised IPO (2022-2025)***

| Ticker Code | Listed Company Name | Listing Date | Industry | IPO Raised Fund (in million Rp) |
|---|---|---|---|---|
| **GOTO** | PT GoTo Gojek Tokopedia Tbk | 11 Apr 2022 | Online Applications & Services | 13,727,889 |
| **AMMN** | PT Amman Mineral Internasional Tbk | 7 Jul 2023 | Metals & Minerals | 10,726,314 |
| **NCKL** | PT Trimegah Bangun Persada Tbk | 12 Apr 2023 | Metals & Minerals | 9,997,000 |
| **MBMA** | PT Merdeka Battery Materials Tbk | 18 Apr 2023 | Metals & Minerals | 9,182,250 |
| **PGEO** | PT Pertamina Geothermal Energy Tbk | 24 Feb 2023 | Electric Utilities | 9,056,250 |
| **BELI** | PT Global Digital Niaga Tbk | 8 Nov 2022 | Online Applications & Services | 7,997,043 |
| **EMAS** | PT Merdeka Gold Resources Tbk | 23 Sep 2025 | Metals & Minerals | 4,659,907 |
| **AADI** | PT Adaro Andalan Indonesia Tbk | 5 Dec 2024 | Coal | 4,321,725 |
| **MDIY** | PT Daya Intiguna Yasa Tbk | 19 Dec 2024 | Specialty Retail | 4,156,415 |
| **BREN** | PT Barito Renewables Energy Tbk | 9 Oct 2023 | Electric Utilities | 3,131,700 |
| **CDIA** | PT Chandra Daya Investasi Tbk | 9 Jul 2025 | Electric Utilities | 2,371,758 |
| **CBDK** | PT Bangun Kosambi Sukses Tbk | 13 Jan 2025 | Real Estate Management & Development | 2,301,592 |
| **CNMA** | PT Nusantara Sejahtera Raya Tbk | 2 Aug 2023 | Tourism & Recreation | 2,250,450 |
| **YUPI** | PT Yupi Indo Jelly Gum Tbk | 25 Mar 2025 | Processed Foods | 2,042,133 |
| **MORA** | PT Mora Telematika Indonesia Tbk | 8 Aug 2022 | Telecommunication Service | 1,000,084 |
| **VKTR** | PT VKTR Teknologi Mobilitas Tbk | 19 Jun 2023 | Auto Components | 875,000 |
| **ALII** | PT Ancara Logistics Indonesia Tbk | 7 Feb 2024 | Coal | 860,924 |
| **OMED** | PT Jayamas Medica Industri Tbk | 8 Nov 2022 | Healthcare Equipment & Supplies | 828,005 |
| **ADMR** | PT Adaro Minerals Indonesia Tbk | 3 Jan 2022 | Coal | 660,708 |
| **MDLA** | PT Medela Potentia Tbk | 15 Apr 2025 | Pharmaceuticals | 660,411 |

*Source: IDX*

***Appendix 10: Case studies of post-listing performance of 4 companies***

| | WIFI | CDIA | GOTO | AMMN |
|---|---|---|---|---|
| Sector | Digital connectivity & internet services | Infrastructure investment (energy, logistics, industrial services) | Digital platform (ride-hailing, e-commerce, fintech) | Mining (copper & gold) |
| IPO Date | 30 Dec 2020 | 9 Jul 2025 | 11 Apr 2022 | 7 Jul 2023 |
| Exchange Board | Development Board | Development Board | Main Board | Main Board |
| Fund Raised at IPO | USD 5.9 mn | USD 145.3 mn | USD 951 mn | USD 708.8 mn |
| Market Cap (26/01/2026) | USD 0.88 bn | USD 10.3 bn | USD 4.3 bn | USD 29.8 bn |
| Average Daily Trading Volume | ~109 mn shares | ~244 mn shares | ~3,5 bn shares | ~40.6 mn shares |
| Index Inclusion | IDX80 | - | IDX30, LQ45, KOMPAS100 | IDX80, LQ45, KOMPAS100, |
| Post-IPO Stock Return | +524.5% total (~39.3% p.a.) | +631% total | −82.25% total (−35.1% p.a.) | +363.1% total (~66.7% p.a.) |
| Post-IPO Liquidity Profile | High and sustained, supported by active retail participation | High in the early post-IPO period, moderating as trading shifts toward fundamentals | Extremely high liquidity driven by broad retail and institutional participation | Moderate liquidity dominated by long-term institutional investors |
| Dominant Valuation Driver | Market expectations of long-term growth in digital connectivity demand and scalability of the business model | Early market re-assessment of infrastructure growth potential and strategic asset positioning, followed by increasing focus on execution and fundamentals | Ongoing reassessment of profitability, competitive pressure, and sustainability of platform-based growth | Long-term asset quality, reserve life, commodity price cycles, and operational execution |
| Post-IPO Phase (2026) | Rising market valuation driven by growth expectations and sustained investor interest | Transition from early post-IPO enthusiasm toward valuation increasingly shaped by execution performance and financial fundamentals | Period of prolonged valuation adjustment under market discipline following initial over-optimism | The mature phase of valuation is primarily shaped by operational performance, earnings visibility, and commodity-cycle exposure. |

Several large-cap IPOs entered the market with strong visibility and deep liquidity, yet subsequently experienced valuation downgrades, as illustrated by GOTO. This suggests that scale and liquidity may amplify market scrutiny rather than shield large issuers from negative reassessment when earnings visibility and business-model sustainability remain uncertain.

By contrast, several smaller and mid-sized issuers have demonstrated more stable or improving valuation paths. Firms such as WIFI and CDIA benefited from clearer growth narratives, improving execution confidence, and rising credibility of future cash flows. Asset-intensive large-cap issuers, such as AMMN, have tended to exhibit steadier valuation trajectories anchored in asset quality and commodity cycles rather than rapid market repricing.

***Appendix 11: Case studies of cross-listing and dual-listing***

**PT Telkom Indonesia Tbk (TLKM)**

PT Telkom Indonesia Tbk is Indonesia's largest telecommunications company and the most prominent Indonesian issuer with a sustained overseas listing. Telkom has maintained a presence in the United States through a listing on the New York Stock Exchange (NYSE) via American Depositary Shares (ADS), which represent underlying shares traded on the Indonesia Stock Exchange (IDX). Telkom's ADS were first listed on the NYSE on November 14, 1995, marking one of the earliest and most significant overseas listings by an Indonesian company.

Telkom explicitly frames its overseas listing as a strategic initiative to strengthen corporate credibility and demonstrate Indonesia's corporate presence in global financial markets. The company also highlights improved transparency, disclosure, and adherence to international standards of Good Corporate Governance as key outcomes of its NYSE listing.

**PT Aneka Tambang Tbk (ANTM)**

PT Aneka Tambang Tbk (Antam) is a state-owned mining company and has been listed on both the Indonesia Stock Exchange and the Australian Securities Exchange (ASX) since 1999. Antam's primary motivations include access to a broader investor base, the ability to raise capital internationally, and enhanced accountability through exposure to international reporting and governance standards.

**PT Indosat Tbk (ISAT)**

PT Indosat Tbk represents a contrasting case, illustrating the challenges of sustaining an overseas listing. Indosat previously maintained a listing on the New York Stock Exchange through American Depositary Receipts (ADRs), which were first listed on October 19, 1994, but were subsequently delisted from the U.S. market, effective May 16, 2013.

The delisting decision was primarily driven by cost and administrative considerations. Specifically, the company cited the high administrative and compliance costs associated with maintaining a NYSE listing, and the desire to improve operational efficiency by consolidating trading activity in its home market. Indosat's ADRs suffered from low liquidity and limited investor interest in the United States. Indosat faced intense competition for investor attention from much larger global telecommunications firms, reducing the practical benefits of a U.S. listing. In addition, higher audit and reporting costs outweighed the perceived advantages of remaining listed abroad.

**Singapore Depositary Receipts (SDRs)**

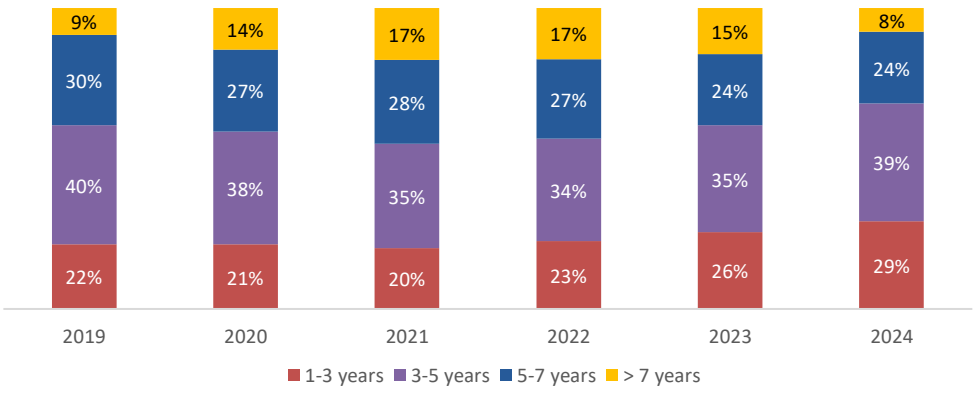
A recent development in cross-border capital market integration involving Indonesian equities is the launch of Singapore Depositary Receipts (SDRs) on the Singapore Exchange (SGX). In October 2025, SGX introduced SDRs referencing selected Indonesian blue-chip companies, including Bank Central Asia (BBCA), Telkom Indonesia (TLKM), and Indofood CBP (ICBP). Unlike firm-initiated overseas listings, this initiative was implemented through institutional collaboration between SGX and the Indonesia Stock Exchange (IDX) under a 2024 memorandum of understanding, reflecting an exchange-led approach to regional market integration.

Under the SDR framework, Indonesian issuers are not required to list shares abroad or assume additional foreign regulatory obligations. Approved intermediaries issue SDRs and represent beneficial ownership in underlying shares that remain listed and settled in Indonesia, while the receipts themselves trade on SGX in Singapore dollars. This structure enables foreign investors to access Indonesian equities through established international market infrastructure, while preserving domestic listing, settlement, and price discovery.

From Indonesia's perspective, the SDR initiative represents a strategic response to long-standing regulatory and structural constraints that have limited firm-level overseas listings. Consistent with this objective, SGX and IDX position SDRs as a complementary mechanism to strengthen ASEAN capital market connectivity, enhance international visibility of Indonesian blue-chip firms, and support liquidity in the underlying onshore market.

Despite these potential advantages, cross-listing and dual-listing remain uncommon among Indonesian firms, with only a handful of issuers maintaining depositary receipt programmes abroad. The Indonesian experience suggests that high regulatory and compliance costs, combined with limited foreign-market liquidity, have constrained firm-level overseas listings, prompting growing interest in alternative, institution-led mechanisms such as the Singapore Depositary Receipt framework.

***Appendix 12: Bonds outstanding by tenors (%), 2019-2024***




*Source: IDX, processed*

***Appendix 13: Top 10 Green/Sustainable Bonds Issuer in Indonesia***

| Issuer | Number of Bonds | Value (USD M) | Issuer type |
|---|---|---|---|
| Republic of Indonesia | 15 | 11,042 | Sovereign |
| Star Energy Geothermal | 2 | 1,690 | Corporate |
| Bank BRI | 3 | 1,138 | Financial Institution |
| PT Bank Mandiri | 2 | 632 | Financial Institution |
| Bank BTPN | 1 | 500 | Financial Institution |
| Pertamina Geothermal | 1 | 400 | Corporate |
| PT Sorik Marapi Geothermal Power | 1 | 350 | Corporate |

| | | | |
|---|---|---|---|
| Bank Negara Indonesia | 1 | 342 | Financial Institution |
| Sarana Multi Infrastruktur | 3 | 234 | Financial Institution |
| OCBC NISP Tbk | 1 | 192 | Financial Institution |

***Appendix 14: Top 10 Market Cap for State-Owned Enterprises***

| No. | Ticker | Listed Stocks | Sector | Market Capitalisation | |
|---|---|---|---|---|---|
| | | | | USDmil | % Mar Cap to IHSG |
| 1 | BBRI | Bank Rakyat Indonesia (Persero) Tbk | Finance | 3,466.94 | 14.85% |
| 2 | BMRI | Bank Mandiri (Persero) Tbk | Finance | 2,899.06 | 12.42% |
| 3 | TLKM | Telkom Indonesia (Persero) Tbk | Infrastructure | 2,253.62 | 9.65% |
| 4 | BBNI | Bank Negara Indonesia (Persero) Tbk | Finance | 1,004.77 | 4.30% |
| 5 | BRIS | Bank Syariah Indonesia Tbk | Finance | 648.70 | 2.78% |
| 6 | ANTM | Aneka Tambang Tbk | Basic-Ind | 437.05 | 1.87% |
| 7 | MTEL | Dayamitra Telekomunikasi Tbk (Mitratel) | Infrastructure | 329.02 | 1.41% |
| 8 | PGAS | Perusahaan Gas Negara Tbk | Energy | 281.03 | 1.20% |
| 9 | PTBA | PT Bukit Asam Tbk | Energy | 164.88 | 0.71% |
| 10 | JSMR | Jasa Marga (Persero) Tbk | Infrastructure | 154.28 | 0.66% |

*Source: IDX data as of 10 Dec 2025*

***Appendix 15: List of Companies in Astra Group***

| Group or Family Name | Listed Company | Sector | Market Cap USDmil |
|---|---|---|---|
| *Astra Group* | PT Astra International Tbk. (ASII) | Industrial | 7537.53 |
| | PT United Tractors Tbk. (UNTR) | Industrial | 2,458.30 |
| | PT Astra Agro Lestari Tbk (AALI) | Consumer Staples | 190.62 |
| | PT Permata Bank Tbk (BNLI) | Financial | 1082.14 |
| | PT Astra Graphia Tbk (ASGR) | Industrial | 22.34 |
| | PT Acset Indonusa Tbk (ACST) | Infrastructure | 1,326.97 |
| | PT Astra Otoparts Tbk. (AUTO) | Consumer Discretionary | 164.84 |
| | PT Astra International Tbk. (ASII) | Industrial | 7,537.53 |
| | PT United Tractors Tbk. (UNTR) | Industrial | 2,458.30 |
| | PT Astra Agro Lestari Tbk (AALI) | Consumer Staples | 190.62 |

*Source: IDX data as of 10 Dec 2025*

***Appendix 16: Summary matrix of the regulation (POJK Regulation No 27/2024 & POJK Regulation No.5/2023)***

| Requirement | Instrument (Category) | Pension Funds | Insurance |
|---|---|---|---|
| **Investment Allocation** | Mutual Funds | 10% for Limited Participation MF | Max 50% total |
| | Corporate Bonds | No total limit | Max 50% total |
| | Equities | No Limitation | Max 40% total |
| | MTN | Max 10% total | Max 40% total |
| | Direct Investment | Max 15% total | Max 10% total |
| | Land/Buildings | Max 20% total | Max 33% total |
| | DINFRA KIK | Max 20% total | Max 20% total |

| | | | |
|---|---|---|---|
| | EBA / DIRE | Max 20% per issuer | Max 20% total |
| | Government Bonds | No Limit | No Limit |
| **Limitation per issuer** | Bank Deposits | Max 20% per bank | Max 20% per bank |
| | BPR/BPRS Deposits | - | Max 1% per BPR, 5% total |
| | Mutual Funds | Max 20% per MI | Max 20% per MI |
| | Government Bonds | No Limit | No Limit |
| | Corporate Bonds | 20% per issuer | 20% per issuer |
| | MTN | 20% per issuer | 20% per issuer |
| | EBA | 20% per issuer | 10% per MI |
| | DIRE | 20% per issuer | 10% per MI |
| | Direct Investment | 10% per issuer | 10% per issuer |
| | REPO | 2% per counterparty, 5% total | 2% per counterparty, 10% total |
| | Municipal Bonds | 10% per issuer, 20% total | 10% per issuer, 20% total |
| | DINFRA | 10% per MI | 10% per MI |
| **Rating Requirement** | Corporate Bonds | Investment Grade | Investment Grade |
| | MTN | AAA | AAA |
| | EBA | Investment Grade | Investment Grade |
| | DIRE / KIK-REITs | Investment Grade | Investment Grade |
| | Municipal Bonds | Investment Grade | Investment Grade |
| | DINFRA KIK | Investment Grade | Investment Grade |
| | Foreign Multilateral Bonds | - | Investment Grade |

*Source: OJK, compiled by staff*

***Appendix 17: Question-by-Question Mapping Table to the TOR***

| Section | TOR Requirements | Research/Interview Questions |
|---|---|---|
| **Market Landscape & Activity** | *a. What are the recent trends in listings (IPOs, bonds, trusts), de-listings, and product structures across stock exchanges in Indonesia, the Philippines, and Vietnam?*<br>*b. Which sectors are most represented in recent listings, and how is market concentration evolving across asset classes in these countries?*<br>*c. How has trading and liquidity changed across different market segments in the region over recent years?*<br>*d. What are the characteristics and impacts of recent issuances aligned with sustainable and inclusive growth in each country?* | • What are the recent trends in IPOs, corporate bond listings, trusts, and de-listings?<br>• Which sectors dominate new issuances, and what patterns of concentration are emerging?<br>• What does the current pipeline of potential issuers look like? Which sector will likely see increased interest in the future?<br>• How has trading and liquidity changed across public capital markets?<br>• What are the most important recent regulatory reforms on capital markets? How do investors and issuers assess their impact on market discipline and issuance activity?<br>• How do product innovations (green bonds, REITs, infrastructure funds) fit into the market landscape?<br>• How prepared are public capital markets to support sustainable finance instruments (green, social, sustainability-linked bonds; green equities)?<br>• How important is alignment with international standards for scaling sustainable finance in domestic public markets? |
| **Investor landscape** | *a. What is the composition of local and international institutional investors active in the capital markets of Indonesia, the Philippines, and Vietnam?*<br>*b. How have international, domestic institutional, and retail investors shaped market dynamics (e.g. new availability of capital, liquidity, volatility) in recent years in these countries?* | • What is the composition of local and foreign/retail and institutional investors in the capital markets in Indonesia, Philippines and Vietnam?<br>• How have domestic institutional investors influenced capital mobilisation and liquidity?<br>• Which investment hurdles do institutional investors consider the most significant in restricting their operations?<br>• How is investment funds' response to the recent regulatory changes in the equity and bond markets and also those coming into effect in the coming time?<br>• How is investment funds' confidence in market conditions in the coming time?<br>• How have funds participated in IPOs over the past 2 – 3 years? Any preference in terms of sector, size, tenor or yield, or rating score? Green, Sustainable, and ESG?<br>• For insurance companies and pension funds, have there been changes in investment mandate and risk appetite recently (any efforts to expand their investment portfolios beyond G-bonds and deposits)?<br>• What distinguishes the investment objectives and constraints of non-life insurance portfolios compared with life insurance?<br>• What are the hurdles to foreign investors in the equity and C-bond markets?<br>• How do liquidity constraints (free float, ownership concentration, etc.) affect investor demand and viability of new listings and bond issues? |
| **Intermediaries & Market Infrastructure** | *a. What is the current state of key market intermediaries (e.g., underwriters, placement agents, market makers, credit rating agencies) in* | • What is the capacity of brokers/underwriters/investment bankers in services to institutional investors? How are they compared to those in mature markets? |

| | | |
|---|---|---|
| | *terms of capacity and constraints in Indonesia, the Philippines, and Vietnam?* | • Are there any observable constraints in underwriter's deal execution (bookbuilding transparency, pricing, information flow, allocation process)?<br>• What types of equity and corporate bond transactions are underwriters/investment bankers currently able to support (e.g. IPOs, follow-ons, private placements, local vs. offshore bonds)?<br>• Are there structural limitations on demand and supply that reduce deal viability?<br>• What are the policy recommendations intermediaries propose for the development of the equity and C-bond markets?<br>• What is the role of credit rating agencies and how credit are ratings with investors?<br>• About constraints of research providers: What are the gaps in data quality in the equity and C-bond markets?<br>• What are the technological and operational capacities of exchanges, trading platforms, clearing, and settlement systems? |
| **Gap Analysis/Comparative Analysis** | *a. To what extent are primary and secondary debt and equity market intermediary roles and functions accessible in Indonesia, the Philippines, and Vietnam?*<br>*b. What if any key market functions typically available in primary equities and bonds in mature capital market ecosystems are absent in these countries?*<br>*c. What are the minimum characteristics of new issuers that intermediaries typically seek to bring to market, in terms of sector, size, existing owners, growth vs yield profile for equities, age and track record of company/issuer, duration for bonds?* | • What are the functions of brokers/underwriters/investment bankers in Indonesia, the Philippines and Vietnam? How are they compared to those in mature markets?<br>• How active are market makers in enhancing liquidity in equities and bonds?<br>• What are the characteristics of new issues that investment bankers typically seek to bring to the market in terms of sector, size, growth and yield profiles for equities, duration for bonds, etc.?<br>• What are the barriers preventing potential issuers from accessing public market? |
| **Synthesis of DFI Interventions** | *a. What development finance interventions (e.g., direct investment, technical assistance, credit enhancement, blended finance) have been effective (and ineffective) in addressing capital market gaps in Indonesia, the Philippines, and Vietnam?*<br>*b. Which constraints represent the most promising opportunities for intervention by development finance actors in each country?*<br>*c. What specific, actionable interventions could development finance actors deploy to address these gaps effectively in each country context?*<br>*d. What are the key structural market considerations (e.g., size of the economy, dominant sectors, financial infrastructure, political economy, systemic risk) impacting the* | • What development finance interventions have been effective in addressing capital market gaps in Indonesia, the Philippines and Vietnam?<br>• How are the roles of domestic and foreign DFIs in the medium- and long-term capital mobilisation?<br>• How have DFIs influenced product innovation (green bonds, social bonds, sustainability-linked instruments)?<br>• What are the gaps and opportunities in the three countries that DFIs should be considering for their engagement there?<br>• What are the key structural market considerations (e.g., size of the economy, dominant sectors, financial infrastructure, political economy, systemic risk) impacting the relevance and potential effectiveness of different development finance interventions in Vietnam?<br>• What policy priorities would DFIs highlight as most critical for sustaining macro-financial stability while deepening capital markets? |

| | | |
|---|---|---|
| | *relevance and potential effectiveness of different development finance interventions in each target country?*<br>*e. What specific, tailored strategies should development finance actors like MOBILIST consider for engagement in Indonesia, the Philippines, and Vietnam, considering the unique profile of each market?* | |

***Appendix 18: Contribution list***

| Sections | Contributors |
|---|---|
| **A. Country-specific Analysis** | |
| **Vietnam Chapter** | |
| Market research and regulatory review | Nguyen Quang Thuan, Nguyen Nhat Hoang, Nguyen Thao Hanh, Dao Yen Nhung (FiinRatings) |
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| B. Cross-Country Synthesis | |
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| Cross-cutting themes and framework for potential recommendations | Nguyen Quang Thuan, Nguyen Thao Hanh (FiinRatings), Andre Simangunsong (Mandiri), Johan Alcantara (IPSOS) |
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