INTRODUCTION

1. The necessity of the research

After more than 10 years of attracting FPI since the Law on Securities took effect, the situation of attracting FPI in Vietnam has improved markedly. The obvious benefit of FPI capital in Vietnam is that it helps domestic enterprises to access savings sources abroad. This helps to take advantage of these capital sources for investment and reduce capital pressures in the process of expanding production and business. Foreign portfolio investment also reduces borrowing costs and increases investment, which has a positive effect on businesses development. However, there are still many risks to FDI capital due to the volatile nature of this capital. In addition, this capital management has its own unique characteristics. Although considered an attractive destination for FPI capital, this capital is still quite modest compared to the investment capital absorption capacity of the Vietnamese market. The development prospects of the stock market in the coming time are very positive, but Vietnam has much to do to attract a larger-and-better quality capital from foreign portfolio investors. Vietnam needs to perfect and improve the legal framework related to FPI, strengthen corporate governance, implement risk management, and make information transparent and public as well as to improve the capacity of FPI capital management. Attracting and managing FPI capital into Vietnam has faced many limitations in recent years. There exist both mechanisms and policies, solutions to improve the efficiency of attracting FPI capital in the market, effective management mechanisms and solutions, and strengthen the capacity to manage FPI capital into Vietnam. This not only ensures the sustainability of the capital, ensures the promotion of the positive impact of the capital on the process of improving corporate governance capacity, but also ensures the risk management brought about by the capital. Therefore, based on the above problems, PhD thesis researches the topic "***Attracting and managing foreign portfolio investment capital into Vietnam"*** is necessary in both theory and practice.

2. Research purpose and research tasks

- **Research purpose:**

On the basis of clarifying the theoretical issues of attracting and managing FPI in developing countries, the thesis studies the current situation of attracting and managing FPI capital into Vietnam from 2007 to 2020. The author proposes solutions to improve the efficiency of attracting and managing FPI into Vietnam in the upcoming time.

- ***Research tasks:***

+ Clarifying the basic theories on foreign portfolio investment fund, its characteristics and impact of the fund on host country.

+ Clarifying the main policy tools in the management of foreign portfolio investment capital and the factors affecting the management of the one.

+ Based on the theoretical basis that has been studied, a framework of criteria for assessing the quality of FPI capital management is proposed for the host country.

+ Research on legislative framework and tools managing FPI capital in Vietnam.

+ Research and assess the current situation of attracting FPI capital into Vietnam in the period 2007-2020.

+ Research and evaluate the current situation of policy making, management, inspection and supervision of FPI capital in Vietnam in the period 2007-2020.

+ Proposing solutions to improve the efficiency of attracting and managing FPI capital in the upcoming time.

3. Research subject and scope

- Research subject: The thesis focuses on researching policies, current situation and proposes solutions to attract and manage FPI capital in Vietnam.

- Research scope:

+ In terrm of time: The period of 2007- 2020 and give policy recommendations for the period of 2021-2030

+ In terrm of space: The thesis concentra on studying the current situation of attracting and managing FPI capital on the stock market, including the primary market and the secondary market, with reference to the international experience of Malaysia and China.

+ In terrm of contents: polices, reality, achievements and limitations, proposed solutions.

4. Methodology

The thesis uses methods of analysis, synthesis, comparison, contrast, statistics, comparison; Methods of data collection…

5. New scientific contributions of the thesis

- The thesis will contribute to clarifying the theoretical framework on attracting and managing foreign portfolio investment capital, giving criteria for assessing capital flows and managing these capital flows. This serves as a theoretical basis to analyze and evaluate the current status of FPI attraction and management in Vietnam in recent years.

- The thesis will research, analyse and evaluate the current situation of attracting and managing FPI capital into Vietnam in the period 2007-2020, thereby figure out the achievements, limitations and causes. This contributes to proposing solutions to effectively attract and manage FPI capital in the host country in the coming years.

6. Content of the thesis

In addition to the introduction, conclusion and references, the thesis consists of 4 chapters:

Chapter 1: Overview of the research situation related to the topic of the thesis

Chapter 2: Theoretical basis and the reality of attracting and managing FPI capital

Chapter 3: The reality of attracting and managing FPI capital into Vietnam in the period 2007-2020

Chapter 4: Solutions to attract and manage foreign portfolio investment capital in Vietnam in the upcoming time.

CHAPTER 1
OVERVIEW OF THE RESEARCH SITUATION RELATED TO THE TOPIC

1. Literature review.

Researches related to FPI capital, there are a bunch of domestic and foreign studies. The author has synthesized and statistics these studies into the following four major contents.

First, researching on theoretical issues related to attracting and managing FPI capital.

Second, researching on policy making to attract and manage FPI.

Third, researching on the current status of FPI research into Vietnam.

Fourth, study the current situation of FPI capital management in Vietnam.

2. Assessment of research works

**** Agreed Issues***

Firstly, domestic and foreign research works related to the thesis are relatively diverse, providing basic information and documents. Therefore, the thesis will have a basis to form an analytical framework and evaluation criteria for attracting and managing foreign portfolio investment capital into Vietnam.

Secondly, studies on policies to attract FPI to Vietnam are relatively numerous, analyzed in different aspects. The analytical framework has not been systematized, as well as policies to attract foreign portfolio investment in Vietnam have not been analyzed specifically. It has not yet fully demonstrated how policy constraints hinder foreign portfolio investment into Vietnam.

Thirdly, there are a bunch of research papers on the actual situation of attracting and managing FPI capital into Vietnam. Netherless, these studies have not systematically evaluated foreign portfolio investments in recent years. They have not updated and completed the analyzed data, and the impact of FPI capital flows to host countries are still analyzed in a fragmentary and unsystematic manner. Domestic and foreign studies also provide specific content on foreign portfolio investment in Vietnam, however, the data is limited and fragmentary. Besides, the data provided is quite different between providers, not fully synchronized. Therefore, this is a completely new topic, contributing to the above limitations. The thesis not only provides a complete and updated picture of Vietnam's policy system in attracting and managing foreign portfolio investment capital but also pointed out the reality of these two activities entering Vietnam in recent years.

The author also identifies the remaining limitations and their causes to make some recommendations.

Therefore, the topic will inherit and supplement theoretical and practical issues on FPI attraction and management in the period 2007-2020. The thesis presents new scientific results in order to explain the research issues and give the most useful recommendations in attracting and managing FPI capital for the period 2021-2030. Therefore, this thesis has both scientific and practical significance.

**** Gap research***

First, the approach to analytical framework in previous studies is diverse but there is still no focus on attracting and managing FPI capital and managing FPI capital over a long period of time, from 2007 to 2020. Previous studies are still spread out, in many different approaches that have not been studied thoroughly and in depth. It is necessary for this thesis to be interpreted and analyzed.

Second, there is no consistency of FPI capital attraction stages. Previous research projects did not fully understand the campaign trend of FPI capital flow in the period before 2007 and after 2020 up to now.

Third, there is no logical and comprehensive evaluation of FPI attraction channels. Assessing mainly through the stock market, capital contribution of enterprises and through securities investment funds, so it does not clarify the most attractive channel and which region is dominating this capital.

Fourth, there is no overall assessment of FPI capital management in Vietnam to clarify the effectiveness of management and limit negative impacts.

Fifth, there are no overall assessments on the efficiency and impact of FPI capital management policies in Vietnam in the period of 2007-2020.

Sixth, there are no comprehensive and overall petitions to attract FPI in the coming time below the international financial management perspective.

Therefore, it is necessary for the thesis to have new researches which find out a rationalized analytical framework on the status of attracting and managing FPI capital into Vietnam in the period 2007-2020. Meanwhile, based on the author's scientific results, the thesis makes remarkably useful recommendations in attracting and managing FPI capital into Vietnam in the coming years.

3. The main research direction of the thesis

Firstly, in theoretical and practical basis section, the thesis will focus on developing an analytical framework and criteria for assessing and managing FPI capital in developing countries. Moreover, the thesis also studies policies to apply and lessons learned by previous countries for Vietnam.

Secondly, the thesis focuses on researching policies to attract and manage FPI capital into Vietnam on an international financial management perspective, since then applied to study practical assessment of attracting and managing FPI capital into Vietnam in the

2007-2020 period. Finding out the causes of success and limitations to serve as a basis for proposing policy proposals.

Thirdly, proposing a wide range of major measures and policies in attracting and managing foreign portfolio investment in Vietnam in the coming time.

CHAPTER 2
THEORATICAL BASIS
AND THE REALITY OF ATTRACTING AND MANAGING FPI CAPITAL

2.1. Theoretical basis for attracting and managing foreign portfolio investment

2.1.1. Concepts, characteristics, and roles of FPI capital

2.1.1.1. The basic concepts***:***

- Foreign portfolio investment
- Attracting foreign portfolio investment
- Foreign portfolio investment management

2.1.1.2. Distinguishing foreigno investment (FPI) with foreign direct investment (FDI)

2.1.1.3. Characteristics of FPI capital

- High liquidity
- Large reversal
- Large instability

From the three above characteristics, it can be seen:

First, there are two FPI capital investment channels: 1) buy shares, stocks, bonds, other valuable papers; 2) securities investment funds and through intermediate financial institutions.

Secondly, investors do not directly participate in managing and administering investment capital activities. The ownership of investment capital belongs to the investor and the right to administer the use of investment capital belongs to the receiving party. The profit gained is the income rate from investment with short-term expectations and at the lowest level of risk, which depends on the safety of the stock market.

Thirdly, comparing with foreign direct investors have mainly investment subjects mainly transnational companies, foreign portfolio investment subjects are often diverse, including individuals, organizations, banks and brokers.

Fourthly, investment period of FPI capital is often short-term. The scope of portfolio investment is limited by regulations from the country to receive investment in capital ownership ratio and other regulations. FPI requires the development and level of financial market management of investment recipients.

Fifth, due to reversal and uncertainty, the capital can cause risks and negative impacts on the investment economy to receive the investment, so it needs to be managed effectively to Promote positive impacts of this capital.

2.1.1.4. The role of FPI capital

- FPI acts as an important financial resource contributing to economic development, offset the shortages between investment needs and financial capacity of a country, regulating and contributing to improving international payment balance.

- FPI increases financial resources for domestic enterprises, helping businesses improve their competitiveness and more proactive in production and business.

- FPI enhances the liquidity of the banking financial system, contributing to the financial market development, helping the stock market to perform more efficient capital allocation. The country receiving this capital will improve the competitiveness of the financial – stock system, creating new products with more competitive, meeting international requirements and increasing demands of the market.

- FPI brings more efficient development to the domestic capital market, encouraging the development of financial intermediary organizations.

- FPI promotes institutional reforms, improving discipline for government policies. The corporate governance system must be more efficient, transparent, more public because of the requirements of foreign investors.

- FPI also has negative impacts: increasing the level of sensitivity, risks and economic instability, which can reduce the independence of monetary policy and exchange rate of receiving countries; Increasing the risk of acquisition, merger, control and financial paragraphs for enterprises and securities issuers. There is a risk of non-traditional security due to uncontrollable capital sources of illegal or large speculation, which can cause financial and monetary crisis.

***2.1.2*. Attracting foreign portfolio investment**

2.1.2.1. FPI policies and measures

- Develop and issue legal documents related to FPI capital
- Capital market development

2.2.2.2. The criteria for evaluating the situation of FPI attraction

1) The proportion of FPI capital in the bond market and stocks

2) The number of investors in the stock market, including organizations and individual investors

3) The number of foreign investment funds on the stock market

4) Investment sector of foreign portfolio investors

2.1.3. FPI capital management

2.1.3.1. FPI management policies and measures

- *Implement management tools, prevent risks related to FPI*

+ Monetary policy

+ Exchange rate policy

+ Foreign exchange reserve policy

+ Tax policy

- *Implementing FPI capital monitoring and inspection function*

+ Applying mechanisms to manage and monitor intermediate organizations based on international standards.

+ Apply international audit and accounting standards, enterprise management system, risk management, internal control, internal control according to international practices.

+ Application of other forms of controlling capital such as mechanisms and supervisors, administrative measures, regulations on compulsory reserve levels do not have interest rates for capital and transactions

+ Applying information systems to early warning of crisis risks from FPI capital flow, especially information related to the current account, real exchange rate, capital account, foreign debt, interest rate, exchange rate, budget deficit, inflation, GDP growth rate, fluctuating on the stock market…

- Regulations on ownership ratio of foreign portfolio investors for foreign industries and sectors is allowed to invest

2.1.3.2. Criteria for evaluating FPI management efficiency

- State validity criteria
- Effective criteria
- Appropriate criteria
- Fair criteria
- Sustainable criteria.

2.1.4. Factors affecting FPI attraction and management

2.1.4.1. Factors of macroeconomic environmental environment

Specifically: high economic growth rate, stable exchange rate, the macroeconomic environment is stable, the rate of safe foreign exchange reserves, health of the banking system, liquidity of the stock market, actual interest rates.

2.1.4.2. Factors of policies to attract investment of receiving countries

FPI attraction policies include policy frames and specific regulations of the reception country.

2.1.4.3. International factor:

- Globalization and trade liberalization, investment and finance
- The development of the world financial market
- Economic development policy of major countries around the world or of major economies such as the US, EU, Japan, China...

2.2. Experience to attract and manage FPI of some countries and lessons for Vietnam

2.2.1. Experience from China

2.2.2. Experience from Malaysia

2.2.3. Lessons for Vietnam

Firstly, the lesson of the previous countries shows that it is necessary to stabilize the macro economy and develop a financial system and the financial market, which is transparent, synchronous, diversifying products. The provisions to determine the ownership rate of investors must be stable; Exchange rate policy, interest rate policy need to operate in accordance with market principles. Enterprise equitization Private Private Program needs to promote and synchronously to avoid risks of risk, investment, departure capital and keep FPI streams stable and efficient.

Second, do not insist on attracting FPI. Although FPI plays a significant role in the economy, the characteristics of the FPI line are active, easy to be reversing and many risks. The desires to attract FPI capable of increasing the level of sensitivity and economic instability. Experience from China and Malaysia shows that, at appropriate times, these countries have taken measures to manage close FPI to limit the negative impacts of this capital on the economy.

Thirdly, China and Malaysia's experiences show that the two countries have implemented relatively good FPI capital management. For example, in prudent and monitoring regulations, specific administrative measures, the two countries have controlled the capital of FPI, the percentage of FPI ownership of foreign investors and risks related to the reverse can cause the economy.

Finally, the risk magement experience of FPI capital from China and Malaysia has provided Vietnam many valuable lessons. FPI capital risk management focuses on three tools and policies: (1) Monetary tool; (2) Tax tool; (3) Administrative measures.

FPI capital is like a two-bladed knife, when FPI poured into a large amount, this caused the economies to bumper and put pressure on currency, exchange rates, stock markets, real estate market, bank system. When FPI removed, it could cause exhausted and collapsed economies. Therefore, it is necessary to issue flexible, efficient and cautious capital control measures for developing countries like Vietnam.

CHAPTER 3
THE REALITY OF ATTRACTING AND MANAGING FPI CAPITAL INTO VIETNAM IN THE PERIOD 2007-2020

3.1. Policy to attract and manage FPI in Vietnam in the past time

3.1.1. FPI attraction policy in Vietnam

* Policies related to foreign investors in Vietnam:

- Promulgating and completing the Investment Law:
- Promulgating and perfecting the Enterprise Law

* Policies related to attracting foreign investors on Vietnam's stock market

- Promulgating and completing the Law on Securities
- Other related laws: In recent years, Vietnam has issued many laws related to foreign portfolio investment such as the Civil Code, Law on handling administrative violations, Inspection Law, Law on Complaints, Law on Denunciations… These laws have been amended, supplemented, and replaced in recent years in order to create a more unified, synchronous, transparent and clear legal system in attracting and managing FPI capital.

3.1.2. FPI management policy in Vietnam

- *Regulations on ownership ratio of foreign investors:*

The percentage of foreign investors' ownership has changed significantly in recent years.

- *Managing foreign exchange to regulate the flow of FPI*

Regulating the flow of FPI capital is implemented through the Ordinance on Foreign Exchange 2005, supplemented, and adjusted in 2013. Regarding the management of this capital flow into Vietnam, the government also issued many resolutions various regulations and regulations to guide the implementation of the Ordinance on Foreign Exchange and the management of foreign exchange reserves. The provisions in these documents are gradually improved to suit the actual needs and management requirements of the state. Limiting the use of foreign currencies in the country, limiting the negative impact on the exchange rate and domestic monetary policy, increases the attractiveness of the Vietnamese dong. Besides, showing the initiative in controlling the flow of foreign currency capital in and out of Vietnam.

- *Tax policy for foreign portfolio investors*

Taxes for foreign portfolio investors are implemented through the following documents: Law on corporate income tax No. 14/2008/QH12 dated 3/6/2008; Law on Value Added Tax No. 13/2008/QH12 dated June 3, 2008 and guiding documents; Circular 186/2010/TT-BTC dated November 18, 2010 guiding the transfer of profits abroad of foreign individuals and organizations having profits from investment in Vietnam in accordance with the Law on Investment; Law on Personal Income Tax No. 04/2007/QH 12 dated 21/11/2007 and the accompanying circulars and decrees.

- *Performing the function of inspection and supervision of FPI capital in Vietnam*

Inspection and supervision of FPI capital flow is aimed at protecting investors and ensuring that the stock market operates objectively and efficiently. Currently, the surveillance model of Vietnam's stock market is following two levels. Level 1 is conducted by organizations such as the Ho Chi Minh City Stock Exchange, the Hanoi Stock Exchange, the Securities Depository Center, the Securities Business Association, etc. Level 2 is implemented by the State Securities Commission and monitors the compliance with securities laws by domestic and foreign investors.

In addition, the management, inspection, and supervision of FPI capital into Vietnam is complied with current legal documents.

3.2. The current situation of attracting FPI in Vietnam

3.2.1. Stages of FPI capital flow into Vietnam from 2007 to 2020

During the examined period, FPI capital into Vietnam has increased and decreased erratically. it is assessed as not an effective capital mobilization channel for the economy because of the continuous fluctuations of this capital. FPI capital flows into Vietnam from 2007 to 2020 can be divided into 5 periods as follows:

- Stage 1 (2007-2009): erratic fluctuations.
- Stage 2 (2010-2013): recovering from the global economic crisis.
- Stage 3 (2014-2016): FPI in this period is dismal.
- Stage 4 (2017 -2019): strong recovery of FPI capital into Vietnam.
- Stage 5 (from 2020 to now): FPI capital into Vietnam declines rapidly.

3.2.2. Attracting FPI on the stock market

3.2.2.1. The amount of FPI capital on the stock market

A) FPI in the bond market

The government bond market is an attractive channel for foreign investors. In general, the size of bond transactions of foreign investors tends to increase sharply in volume, but the proportion in total market transactions is slightly reduced. In recent years, foreign investors have more widely participated in the corporate bond market. The largest bond-issuing industry is real estate (accounting for 30% of the value of corporate bonds issued in 2020), followed by banking (30%), energy (8%), manufacturing (6%), and other industries. Nevertheless, in the corporate bond market, foreign investors only accounted for 3.1% of the total value of bonds issued in 2019 and 1.2% in 2020.

Compared with some markets in Southeast Asia, the size of Vietnam's corporate bond market in GDP by the end of 2020 surpasses the Philippines and Indonesia but is much lower than that of Thailand and Malaysia. In fact, although the size of Vietnam's corporate bond market is already relatively large in relation to GDP, the Vietnamese corporate bond market is still in a new stage of development. As a specialized primary market has not yet formed, Vietnamese issuers and bonds have not been independently rated. Most of bonds are still in the form of private placement, the largest bond buyers are banks. The role of foreign investors and other investment financial institutions is missing.

B) FPI in the stock market

The size of share capital of foreign investors on the stock market has always remained at a high level of net buying and is done mainly on the secondary trading market, shown in both aspects as follows: trading volume and transaction value. FPI on Vietnam's stock market also increased and decreased in the period 2007-2009; 2010-2016; 2017-2020 with trading value fluctuating erratically and there is a huge difference between listed stocks and shares registered for trading.

3.2.2.2. Then umber of foreign investors on the stock market

Since the introduction of the Securities Law, the scale of the number of foreign investors has also increased rapidly. In the two years 2006-2007, when the Vietnamese stock market was in the early stages of operation, the number of trading accounts of foreign investors skyrocketed. The number increased from 436 accounts in 2005 to 2100 accounts in 2006 and reached 8441 accounts in 2007 and 35,071 accounts in 2020.

According to the account structure of foreign investors, it can be seen the majority of accounts belong to individual accounts. Accounts of foreign investment institutions are not many, specifically in 2015, there were 2,656 accounts belonging to foreign investment institutions, accounting for 14.8% of total accounts of foreign investors. In 2017, it increased to 2865 accounts, accounting for 12.7% of the total accounts of foreign investors and in 2020 reached 3937 institutional accounts, accounting for 11.2% of the total accounts of foreign investors.

- *Trading volume of foreign investors on the stock market:*

In the past 10 years, foreign investors' transactions on Vietnam's stock market were mainly net buys with a small scale compared to the total trading volume of the whole market. Transaction value of foreign investors in 2007 accounted for about 31.53% of the total transaction value of the whole market, but during the past 10 years (2007-2017) the proportion of transaction value of foreign investors outside has not improved and stopped at 18% in 2017.

Transaction structure of foreign investors on the stock market: On the stock market, investors' transactions usually take place in three forms: stocks, bonds, and fund certificates. In 2017, on HOSE, the proportion of securities trading volume of foreign investors is as follows: Buying shares accounted for 7.38%, selling stocks accounted for 6.78%; Purchased fund certificates accounted for 75.07%, sold fund certificates accounted for 11.57%; Buying bonds took 3.43%, selling bonds accounted for 2.24%. The proportion of securities trading value in 2017 on HOSE is as follows: Buying stocks accounted for 16.03%, selling stocks accounted for 13.68%; Purchased fund certificates occupied 75.98%, sold fund certificates accounted for 10.90%; Buying bonds occupied 3.48%, selling bonds accounted for 2.24%.

3.2.2.3. The number of foreign investment funds on the stock market

In Vietnam, foreign investment funds began to appear in 1991 with a small and fragmented scale. Investment funds began to return to Vietnam in 2001 when the Vietnam-US Trade Agreement took effect. Since 2007, foreign investment funds have paid more attention to the Vietnamese market due to favorable changes in the domestic and international context. As of 2019, Vietnam has about 49 active fund management companies, most of which are foreign investment funds operating on the stock market.

In terms of investment:

Foreign portfolio investment focuses on several typical commodity groups including energy, real estate, healthcare, technology and media, financial services, and manufacturing. According to the General Statistics Office, in the first 6 months of 2020, the total number of deals and investment value by industry group of foreign investors continuously increased, especially in the fields of real estate, financial services, renewable energy, retail, information technology and telecommunications, manufacturing, oil and gas and resources.

3.2.3. Attracting FPI through capital contribution to the business

- General situation:

Before 2007, each year, Vietnam only took place no more than 50 M&A deals, with the highest total transaction value of about 300 million USD. But from 2007 onwards, the number of M&A deals increased rapidly. By contributing equity capital to an enterprise, foreign portfolio investors can become strategic partners of that enterprise. Forms of capital contribution to enterprises can be through the channels of equitization of state-owned enterprises, and by buying bonds of enterprises. Up to now, the total amount of capital mobilized on the stock market through enterprise equitization auctions has grown larger and larger, contributing to the reform and renewal of state-owned enterprises. Foreign capital flows continued to flow into Vietnam through the purchase of shares in enterprises. In the first 6 months of 2014, the total value of capital contribution and corporate share purchase transactions reached 1.373 billion USD, continued to increase in the first 6 months of 2015 and reached 2.247 billion USD in the first 6 months of 2017 and remained at a level 4.099 billion USD in the first 6 months of 2018 (according to the General Statistics Office's report).

- ***Investment fields and partners :***

Capital contribution and share purchase by foreign investors mainly focus on manufacturing and processing industry (24%), wholesale, retail and repair of automobiles and motorbikes (23%), professional activities and science and technology (15%), construction (14%), real estate (9%), accommodation and food services (6%). The rest are other areas such as health, social assistance, media and press.

Among the investment partners, Thailand, Singapore, Japan, Korea are the major investment partners. Japan is mainly a strategic investment partner in airlines, petroleum and pharmaceutical companies, while Singapore is famous for its commercial real estate deals. Thailand continues to focus on retail and materials - chemicals with the goal of expanding the market. Korea made a bunch of deals in the food and finance-banking sectors.

- Investment capital size

In terms of the size of M&A deals, the Vietnamese market is still mainly small transactions with a size of about 3-4 million USD. Small-scale transactions accounted for 64.16% in value and over 90% in number of deals in 2016 and 2017. According to the Foreign Investment Department's report, there were 4535 transactions in 2017 capital contribution and share purchase from foreign investors with a total value of capital contribution of 5.29 billion USD, up 52.6% over the same period in 2016. These are non-real estate investments, a form of M&A enterprise.

3.3. Current condition of FPI management in Vietnam

3.3.1. Decentralized capital management FPI

According to the functional map of Vietnam's financial supervision system, the main supervisory responsibility rests with the State Bank of Vietnam and the Ministry of Finance. In addition, the National Financial Supervisory Commission and the Deposit Insurance are independent supervisory organizations responsible to the government for the performance of their supervisory functions in the financial markets. Under this management model, the State Bank is responsible for the management of credit institutions and the Ministry of Finance is responsible for supervising the securities market and insurance market, in which the securities market is supervised and under the direct management of the State Securities Commission. The National Financial Supervisory Commission has a direct relationship with the Ministry of Finance and the State Bank to capture developments in all three areas of banking, securities, and insurance.

3.3.2. Current situation of FPI capital management in and out of Vietnam

Foreign portfolio investors are not directly involved in the management, operation and control of the enterprise and are not required to obtain an investment registration certificate. These investors are very convenient in investing capital in Vietnam.

In the past time, the State Bank of Vietnam has removed many regulations on capital flow control and has not imposed administrative measures to manage FPI capital flows. The Bank uses low interest rates and zero interest policies on payment deposits of foreign portfolio investors in the Vietnamese market. FPI capital flows are uniformly managed through the investment capital account system and are not limited in the number of investments.

The foreign exchange management policy for capital into Vietnam is being improved step by step, towards easing foreign exchange restrictions in line with international and domestic practices. Vietnam's banking system in recent years has accelerated restructuring, creating favorable conditions for foreign investors to pay, transfer money, transfer capital, disburse capital, open and manage accounts. use other banking services. Thanks to good management of FPI and FDI capital, Vietnam's financial balance has always reached a surplus, creating stable conditions for economic development.

In Vietnam's balance of payments, foreign portfolio investment does not have a strong influence due to the small size of FPI capital.

3.3.3. Monitoring and supervising FPI capital on the stock market

n order to effectively manage the circulating FPI capital in and out of the stock market, the State Bank of Vietnam and the Ministry of Finance have coordinated to review and strictly control the government's short-term foreign currency loans. government, corporate, banking and portfolio portfolios. From there, based on the level of foreign currency reserves to have appropriate countermeasures.

The State Bank of Vietnam has flexibly handled exchange rate issues to create stability for the economy and prevent foreign investors from withdrawing foreign capital.

The Ministry of Finance and the State Securities Commission have issued a series of important legal documents to improve the stock market. At present, the market has basically formed clearly: from primary market to market. secondary market, stock market, bond market. The liquidity of the stock market increased sharply, the inspection and supervision work were carried out more and more effectively.

The State Securities Commission has applied the Securities Transaction Supervision System (MSS) to support transaction monitoring for banking and financial stocks; coordinate in providing information to the inspection and supervision agencies of the state bank.

Specialized regulatory agencies license or advise on the issuance of corporate bonds. Organize the corporate bond market through two stock exchanges in Hanoi and Ho Chi Minh City. Securities depository centers and non-listed markets are commercial banks and securities companies licensed by the Ministry of Finance to act as transfer agents.

3.4. General assessment of FPI attraction and management in Vietnam

3.4.1. Result

Firstly, the system of legal documents related to attracting and managing FPI capital in Vietnam is increasingly complete, contributing to more stable and effective attraction of FPI capital flows into Vietnam.

Second, the process of equitization of state-owned enterprises in Vietnam is creating favorable conditions for foreign investors to participate in buying shares and contributing capital to enterprises.

Third, loosen regulations on transactions on investors' capital accounts. There are regulations on the transfer of profits and income of investors abroad (free from tax on repatriation of profits), there are more relaxed regulations on capital contribution ratio for foreign investors; there are clearer tax regulations for foreign investors, allowing foreign investors not to set up 100% foreign-owned fund management companies.... Foreign exchange management mechanism of Vietnam is also becoming more and more perfect, in line with the actual situation in the country and international practices, contributing to better control and management of foreign capital into Vietnam to limit the negative instability that can be caused from the capital.

Fourth, Vietnam's foreign exchange management mechanism is becoming more and more complete and more in line with international practices and the practice of developing foreign investment activities in Vietnam.

Fifth, the stock market is increasingly developed and perfected in both quality and quantity, contributing to better management of FPI capital flows.

Sixth, ensuring the macroeconomic environment and increasingly effective risk management policies have created greater confidence for foreign portfolio investors.

3.4.2. Limitations

3.4.2.1. Limitations in attracting FPI

First, the legal documents related to FPI still have many limitations and contradictions that need to be resolved.

Secondly, there is a lack of transparency in information disclosure and securities market supervision.

Thirdly, State-owned enterprises are slow to equitize and divest capital, which hinders their listing on the stock market and business mergers and acquisitions.

Fourth, there are still a bunch of limitations, incomplete and not timely in forecasting the stock market, making statistics and forecasting the amount of FPI capital in and out on the stock market.

Fifth, Vietnam's economy in the period 2007-2020 still faces a large number of uncertainties, greatly affecting FPI capital into Vietnam.

3.4.2.2. Limitations in the management of FPI

First, the management of the value of FPI capital in and out also faces a series of limitations, affecting the ability of policy makers to evaluate and forecast.

Second, the supervision system in the financial market and the stock market of Vietnam is still not effective.

Third, there is a lack of an early warning system about monetary and financial risks for investors.

**** Cause of restriction***

First, Vietnam has not clearly defined the investment scale and strategic investment partner in the stock market in the short, medium, and long term. Therefore, it is not possible to have a unified view on attracting and managing FPI capital into Vietnam. At present, attracting and managing FPI capital is still passive. There is no vision to adjust the legal documents according to the forecast based on the actual development of the market and the needs of the economy. Most of the documents, decrees and circulars are developed in the direction of "keeping up" with the market and capital flows on the stock market. It is not yet in the direction of "get ahead" and "adjusting" capital to meet the needs of economic development.

Second, there has not been a separation of responsibilities and close coordination in the management of FPI capital on the stock market among the State's management agencies. Therefore, there are overlaps in management and inadequacies in information disclosure and statistics of incoming and outgoing FPI data. The reality of the past time has shown the weakness and inadequacy of state agencies in planning and implementing strategies, master plans and plans for stock market development in general and attracting FPI capital in particular.

Third, after many adjustments to the Investment Law and other related legal documents, the FPI investment institution has not been clearly defined. Management is currently very confused, slow, and uncoordinated because of the lack of a unified institutional framework on FPI capital management. Due to the sensitive and high-risk nature of FPI capital flows, the forecasting and risk assessment of this capital movement still seems to be slower than required.

Fourth, the qualifications of officials and specialists in state management agencies are still limited. This is reflected in the inappropriate planning of policies to attract and manage FPI capital in and out as well as the inappropriate regulation of market development.

CHAPTER 4
SOLUTIONS TO ATTRACT AND MANAGE FOREIGN PORTFOLIO INVESTMENT CAPITAL IN VIETNAM IN THE UPCOMING TIME

4.1. The context of domestic and global economy

4.1.1. International economy

First, world economic growth becomes unpredictable.

Second, the position of the world's largest economies will change over the next decade.

Third, fundamental changes in the situation and situation of the world economy after the Covid19 pandemic.

Fourth, the role of the digital economy, the platform economy.

4.1.2. Domestic economy

Firstly, Vietnam continues to achieve rapid economic growth, enhancing its position and role in the region and in the world.

Second, the business investment environment continues to improve.

Third, the digital economy plays an important role in economic development in Vietnam.

Fourth, the development prospects of the financial market and the stock market.

4.2. Policy, view and orientation Governmenr for attracting and managing of foreign investment capital in Vietnam.

4.2.1. The Party's policy on attracting foreign portfolio investment capital into Vietnam

4.2.2. Goals of attracting and managing foreign investment capital in Vietnam

Completing institutions and policies on foreign investment cooperation with high competitiveness and international integration; meet the requirements of innovating the growth model, restructuring the economy, protecting the environment, solving social problems well, and improving the productivity, quality, efficiency and competitiveness of the economy.To fundamentally overcome existing limitations and shortcomings in building, perfecting and organizing the implementation of institutions and policies on foreign investment cooperation. Create a business environment and competitiveness in the ASEAN 4 group before 2021, in the ASEAN 3 group before 2030.

- Goals of stock market development by 2025

Continue to comprehensively restructure so that the stock market becomes an important medium and long-term capital channel for the economy; to build a reasonable and balanced structure between the money market and the capital market, between the stock market and bonds, between government bonds and corporate bonds; actively support the process of restructuring state-owned enterprises, renewing the economic growth model and promoting the development of the private sector; strengthen opening and integration with regional and world markets..

4.2.2.2. The guiding point of view to attract and manage foreign portfolio investment capital in Vietnam

Firstly, agree on awareness in attracting and managing foreign portfolio investment capital, implementing management by legal tools, ensuring the interests of market participants.

Secondly, the foreign-invested economy is an organic and constitutive part of the socialist-oriented market economy.

Thirdly, closely and harmoniously combine domestic and foreign resources, on the principle that domestic resources are decisive and foreign resources play an important role, diversifying investment capital sources, partners, methods of mobilization.

Fourth, attract and manage foreign portfolio investment capital in the right direction, fight against manifestations of abuse and market manipulation, gradually approach international practices and standards.

Fifth, the policy of attracting and managing foreign portfolio investment capital is considered an integral part of Vietnam's economic management policy system. Implement synchronously policies to stabilize the financial system and promote sustainable economic growth.

Sixth, effectively attracting and managing foreign portfolio investment capital to promote the development of the capital market in general and the stock market in particular. This contributes to the stability of the financial-money market, which is able to respond well to adverse shocks to the economy. Besides, it also ensures the honesty and transparency in the operation of the market on the basis of legal regulations.

4.2.3. Orientation to develop the stock market and attract and manage foreign portfolio investment capital in Vietnam in the coming time

4.2.3.1. Development orientation of the stock market 2021-2030

First, improve the medium and long-term capital mobilization capacity for enterprises on the basis of completing and developing the stock market structure.

Second, increase the efficiency of the stock market.

Third, improve the capacity and competitive strength of market intermediary institutions and auxiliary associations and organizations.

Fourth, strengthen the management, supervision, inspection, and enforcement capacity of state management agencies based on allowing the State Securities Commission to comply with the provisions of the law.

Fifth, prepare well the conditions for integration into the international financial market according to a development roadmap in line with international practices and meet the requirements of financial safety.

4.2.3.2. Orientation to attract and manage foreign portfolio investment capital into Vietnam

First, attracting and managing foreign portfolio investment capital contributes to the development of the stock market. Implement the opening of the securities service market in accordance with WTO commitments and new-generation free trade agreements in accordance with actual conditions to ensure the sustainable development of Vietnam's stock market.

Second, focus on medium and long-term capital flows, which aim to stabilize the macro-economy, control inflation, improve the balance of trade and international payments, strengthen foreign exchange reserves, supplement capital for investment in development, improving the defense capacity of the economy. Promoting the equitization of SOEs, increase the participation rate of foreign investors in enterprises according to the capital market development roadmap, in accordance with bilateral and multilateral agreements to which Vietnam has committed.

Third, building open mechanisms and policies; reforming administrative procedures, restructuring financial intermediaries to create favorable conditions for foreign investors to access the Vietnamese stock market. Flexible use of economic and financial levers to maximize foreign portfolio capital of strategic investors.

Fourth, clearly defining portfolio and direct investment activities; direct investment capital and foreign portfolio investment capital; study the mechanism to convert foreign direct investment enterprises into joint stock companies.

Fifth, strengthen supervision and proactively offer appropriate handling solutions to deal with fluctuations in foreign investment capital, especially foreign portfolio investment capital, in the face of shocks to the economy.

4.3. Solutions to enhance attraction and management of foreign portfolio investment capital in Vietnam

4.3.1 Solution group on attracting FPI capital into Vietnam

Firstly, complete the legal framework to effectively attract FPI capital into Vietnam.

It is necessary to continue to overcome the current limitations on investment portfolios, investment fields and foreign portfolio investment subjects in Vietnam. First of all, the synchronization of laws, guiding documents under the law, decrees and guiding circulars, to avoid overlapping legal policy documents. Meanwhile, at the loophole in attracting and managing foreign portfolio investment, especially continuing to perfect the system of guiding documents of the Securities Law, creating a strict and unified legal system.

In the coming time, with the aim of improv. the ability to manage FPI capital on the Vietnamese stock market, it is necessary to have an effective coordination mechanism among FPI capital management agencies in the following directions:

Clearly define responsibilities in the management of foreign portfolio investment capital in Vietnam: (i) The Ministry of Finance implements policies to develop capital markets and financial services to attract medium and long-term foreign portfolio investment; to manage securities activities of foreign-invested issuers; (ii) The Ministry of Planning and Investment manages companies that receive foreign direct investment and converts these companies from direct investment to portfolio investment (in the form of a joint stock company not yet public); (iii) The State Bank of Vietnam implements foreign exchange management policies, including the flow of foreign portfolio investment capital.

Second, enhancing the transparency and efficiency of the stock market.

To begin with, it is necessary to focus on improving the operational quality of stock exchanges and securities depository centers. Applying 4.0 technology, applying new technology in traditional activities such as trading, clearing and settlement of the stock market, applying digital technology, blockchain technology; use foreign languages when disclosing market and business information so that foreign investors can learn and properly value the market. It is necessary to quickly implement an automated system of depository and complete clearing of securities, provide securities custody services in accordance with international practices, and reduce payment time to improve market liquidity.

The transparency of the stock market will be more effective if measures to strengthen inspection and supervision of capital mobilization and use of capital raised in the stock market are well implemented. Quickly detect and promptly handle cases of virtual capital increase and misuse of capital; inspect the quality of financial statements and audit activities of audit units; applying international auditing standards on the stock market; at the same time, establish credit rating programs and organizations for Vietnamese enterprises. It is necessary to build a supervisory system on the stock market with a connection between supervisors, and a system of supervisory criteria to identify violations of investment transactions on the stock market.

The capacity of securities companies also needs to be focused so that these companies have favorable conditions to mobilize capital sources in the society, expand products and services for investors. In the era of technology 4.0, securities companies need to use international standard technology, have a technology infrastructure to ensure 24/7 online service, ensure optimal use and ensure security for investors. Securities companies also need to have a high-tech management system to minimize risks for investors and proactively deal with adverse information for their businesses. In addition, it is necessary to complete a set of stock index rules in line with international practices.

Third, step up the equitization of state-owned enterprises and divest state capital in enterprises to attract FPI.

It is necessary to improve the legal framework for equitization in a substantive manner; clarify specific individual plans and responsibilities for the equitization and divestment of state-owned enterprises each year. Moreover, quickly take measures to make information transparent, concretize the mechanism for calculating value, obligations, and land use rights, and promote investment towards strategic investors who intend to stick with Vietnam. enterprises after equitization. In addition, to be effective for the M&A process in state-owned enterprises, it is necessary to carefully consider the rate of sale of shares and a reasonable route for divestment, only keeping controlling shares in case of necessity; accelerate the process of corporate divestment in order to avoid the risk of reducing the value of the state's remaining shares after not holding a controlling share after equitization.

To speed up the process of equitization of enterprises, it is necessary to have sanctions to handle when enterprises do not comply with regulations on listing and registering transactions after being equitized. In addition, the Ministry of Finance should coordinate with relevant ministries and branches to submit to the Government for adjustment mechanisms, policies, and solutions to strongly promote the process of equitization and divestment of state-owned enterprises; associated equitization and divestment with the listing and registration of trading on the stock exchange. This will promote the size of the stock market, promote publicity and transparency, and improve the governance capacity of state-owned enterprises after being restructured.

Fourth, it is important to build an early warning system for possible risks in the process of capital account liberalization.

To be able to quantify risks, the management agency needs to build a system to monitor, collect information and warn of financial risks. From there, solutions to adapt to the situation and control risks should be devised.

The control and management of FPI capital flows into Vietnam is reflected in two areas: investment management and capital flow management (foreign exchange management). It requires this capital control process to be consistent. There is close coordination between the Ministry of Finance, the Ministry of Planning and Investment and the State Bank to ensure the interests of businesses as well as avoid speculative phenomena that put pressure on the exchange rate and foreign exchange reserves.

Fifth, it is necessary to maintain macroeconomic stability to create attractive conditions to attract FPI.

Stabilizing the macro-economy, controlling inflation, maintaining a stable exchange rate policy, and maintaining good national foreign exchange reserve capacity are important conditions that let foreign indirect investors in addition to increasing investment capital in Vietnam. Using financial leverage through tax tools to encourage attraction of medium and long-term foreign indirect investment. A system of diminishing capital withdrawal tax should be applied to foreign portfolio investments in stocks and bonds. This should be carried out in the direction of a gradually decreasing tax rate depending on the investment term to limit the short-term capital attraction to the stock market; ensuring flexibility and stable market development.

4.3.2. Solution group on managing FPI capital into Vietnam

Firstly, managing risks in case foreign portfolio investment capital is withdrawn or poured into Vietnam's stock market.

With an economy with a large openness and still small scale like Vietnam, the management level and the ability to forecast the cash flow of foreign portfolio investment are still limited. Therefore, it is necessary to set regulations on the period allowed to buy foreign currencies and withdraw capital from the stock market for foreign portfolio investors.

Second, building a comprehensive inspection and supervision system, approaching international practices.

- Completing the legal framework on inspection and supervision of foreign portfolio investment activities in the direction of synchronization with the Law on Budget, Law on State Bank, Law on Credit Institutions, Law on Securities... Clearly define the responsibilities of ministries, branches, and localities in presiding over, coordinating in the management and supervision of foreign investment activities.

- Completing the system of classification, risk assessment and early warning for securities companies and fund management companies; classify securities companies for management and supervision. Evaluating and reclassifying receivables and financial assets of securities companies and fund management companies.

- Completing the securities market supervision system on the basis of clearly defining responsibilities, building securities trading organizations into the first-level supervisory units in the market.

- Completing the supervision model with the National Financial Supervision Commission (NSC) as the focal point to implement the combined supervision model: both thematic supervision and the integrated supervision. The NSC should perform its functions well: advise and advise the Prime Minister in analyzing, evaluating and forecasting the impact of the financial market on the macro-economy and vice versa; coordinating financial market supervision activities in the fields of banking, securities and insurance.

- Step by step change the management and compliance monitoring model of the State Securities Commission to a risk-based supervisory management model to optimize resources and improve the efficiency of management and supervision.

- To step up the application of information technology in the management and supervision of the stock market, especially the supervision of public companies and supervision of transactions on the market.

- Strengthening activities of inspection, examination and handling of key violations, key outstanding issues that adversely affect the stock market.

- Consolidate the entire machinery, functions and duties of inspectors, examiners and supervisors to ensure sufficient enforcement capacity of state management agencies.

Establishing a professional stock market supervision regulation according to international practices, applying international standards and recommendations of IOSCO based on a quality accounting and auditing system. There are strong sanctioning sanctions that are enough to deter violations in the market. The team of inspectors, inspectors and supervisors must be trained with sufficient qualifications and capacity to perform their tasks.

Third, building an early warning system, predicting the fluctuations of capital flows in and out of the market.

Completing legal documents on prevention, developing early warning system; perfecting the accounting and auditing system according to international standards.

Implement fairness in general regulations for both domestic and foreign investors; focuses on professional investors entering the market as both investors and financial intermediaries in the market.

Finalize documents related to online consulting and support services; Legal provisions related to responsibilities and quality of information disclosure for state management agencies and securities-issuing enterprises.

Completing documents on corporate governance for public companies and listed companies according to international standards of governance and management.

Completing the accounting, auditing, inspection, and supervision system to provide accurate information on the situation of enterprises listed on the stock market; create favorable conditions to attract and manage more effectively foreign portfolio investment capital into Vietnam's stock market.

CONCLUSION

Attracting foreign portfolio investment is an important task of the Government of Vietnam to supplement capital for economic development. With the favorable conditions of the economy and preferential policies for foreign investors, Vietnam over the years (2007-2020) relatively effectively exploited the potential of FPI flow.

In the process of attracting FPI, Vietnam has tried to improve and transparency of the stock market, promoting equitization of state-owned enterprises, perfecting the legal policy system to attract foreign investors. Although there is an increase and decline in the period of research, in general, FPI into Vietnam in the past is relatively stable. There is no reversal and does not create great risks for the economy. Increasingly attracting big investors is a success of Vietnam in the policy of attracting foreign portfolio investment capital over the past time. Nevertheless, the practice of attracting FPI capital into Vietnam over the past time has also shown many policy limitations, in particular, there are overlapping policies and regulations that are not attractive to investors. Strategic investors have not been oriented, there is no policy to monitor this capital to avoid violations in information disclosure, affecting the investment environment... The above policy limitations have been demonstrated that, in the past, the amount of FPI capital into Vietnam has not been commensurate with its potential. It is a small and short-term investment and the liquidity of the capital is limited.

These groups of solutions are the basis for recommendations to the government, ministries, and the State Securities Commission in attracting and more effectively managing foreign portfolio investment capital. This will promote Vietnam's economic development to 2025, with a vision to 2030.

Although the PhD student has made great efforts and wishes to thoroughly solve the problems of the research object and scope, the thesis still has the following limitations:

Due to information security requirements, the PhD student has not been able to collect detailed data on attracting and managing FPI capital flows. Research methods are not diverse because the conclusions are mainly based on statistical and analytical methods. The above limitations are a problem for the researcher to continue to study in the next studies (within conditions allowed). The PhD student hopes to receive suggestions from scientists, managers, individuals and organizations to make this research more comprehensive. Sincerely thank you!