

SSC to develop new investment funds

The State Securities Commission (SSC) is studying plans to launch more investment funds such as voluntary pension funds, ETFs (exchange traded funds), securities investment funds and property investment funds to diversify products on the market and meet demands of investors.

Nguyen Thanh Long, head of the Fund Management Department under SSC, said that some funds in recent times haven't operated effectively as they depend on various investment targets.

For example, a fund investing in a certain sector cannot obtain good growth if enterprises in this sector run poorly. Fund is an indirect investment tool and depends heavily on business results of enterprises and criteria of the fund. Therefore, a fund will find it hard to control unforeseen developments of the market.

Besides, many closed-end funds have been traded below the real value in recent times with discount rates soaring to 30-50%. This is not the result of poor operations, it is the fault of these products. Our mission is to launch new products to fix these shortcomings, Long said.

Some closed-end funds have plans to transform into open-ended funds but none of them have applied for the change. Long said there are no difficulties in formality, except for closed-end funds whose portfolios focus too much on OTC (over the counter) stocks, having low liquidity or failing to meet requirements.

Besides, fund managing enterprises are still hesitant at open-ended funds in which investors are able to withdraw capital given unfavorable conditions on the market. Close-ended funds - though the market value is always lower than the actual value - are safer given no pressure of capital withdrawal during operation.

There are six closed-end funds of which one is running smoothly with a high cash ratio. The remaining funds are nearing maturity and some of which have plans to become open-ended funds.

The market has 18 member funds. In the current economic context, the member fund model may exist as it is attached to equitization programs and development of the private business sector, small and medium-sized enterprises.

A member fund is established as a partnership and it reports to SSC. The fund operates following its regulations and agreements between related sides. In general, SSC has limited management over member funds.

Long said that managing agencies in the current time have to create conditions for new products depending on the market rules. They have to steer the market to a certain development order and foresee possible problems.

SSC is now studying to launch new products such as ETFs, securities investment firms, real estate investment funds to link up with the property market and pension funds, Long said.

Concerning limitation in information proclamation of investment funds, Long said that weak development of the industry is the cause of this problem. When many different funds are launched, especially open-ended funds, more information will be announced to help the public learn about this sector.

The Saigon Times Daily