# STOCK MARKET REACTIONS TO REGULATORY SANCTIONS ANNOUNCEMENTS: EVIDENCE FROM VIETNAM

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***Abstract***

*This study investigates the stock market reactions to regulatory sanctions in Vietnam by distinguishing between the issuance and public disclosure dates of sanction decisions by the State Securities Commission of Vietnam (SSC). Using an event-study methodology and a sample of 153 sanctions imposed on firms listed on the Ho Chi Minh Stock Exchange from 2013 to February 2024, the study examines cumulative average abnormal returns (CAARs) around both event dates. The findings show no significant market reaction around the issuance date, consistent with the semi-strong form of market efficiency, as this information is not publicly observable. In contrast, the public disclosure of sanctions generates statistically significant negative abnormal returns that accumulate over subsequent trading days. These results highlight the importance of information disclosure in regulatory enforcement and provide new evidence from an emerging market setting.*
***Keywords:*** *Vietnam's securities market, Regulatory sanction, Market reaction.*

**Phản ứng của thị trường chứng khoán đối với công bố thông tin xử phạt vi phạm: Minh chứng từ Việt Nam**

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***Tóm tắt***

*Nghiên cứu này phân tích phản ứng của thị trường chứng khoán Việt Nam đối với các quyết định xử phạt của cơ quan quản lý, bằng cách phân biệt giữa ngày ban hành và ngày công bố quyết định xử phạt của Ủy ban Chứng khoán Nhà nước (UBCKNN). Sử dụng phương pháp nghiên cứu sự kiện và mẫu gồm 153 quyết định xử phạt áp dụng đối với các doanh nghiệp niêm yết trên Sở Giao dịch Chứng khoán TP. Hồ Chí Minh trong giai đoạn từ năm 2013 đến tháng 2 năm 2024, nghiên cứu ước lượng suất sinh lợi bất thường tích lũy trung bình (CAAR) xung quanh hai mốc thời gian này. Kết quả cho thấy thị trường không có phản ứng đáng kể tại ngày ban hành quyết định xử phạt, phù hợp với giả thuyết thị trường hiệu quả dạng bán mạnh, do thông tin này chưa được công bố công khai. Ngược lại, việc công bố quyết định xử phạt dẫn đến suất sinh lợi bất thường âm có ý nghĩa thống kê và được tích lũy trong các ngày giao dịch sau đó. Kết quả nhấn mạnh vai trò của công bố thông tin trong hoạt động thực thi pháp luật và cung cấp bằng chứng thực nghiệm mới từ một thị trường mới nổi.*
***Từ khóa:*** *Thị trường chứng khoán Việt Nam, Quyết định xử phạt, Phản ứng thị trường.*

## 1. Introduction

Regulatory enforcement is a key mechanism for maintaining transparency, discipline, and investor protection in securities markets. Beyond direct monetary penalties, enforcement actions may affect firm value by changing investors' perceptions of compliance risk, governance quality, and future performance. A large body of empirical literature documents that regulatory sanctions are associated with negative stock market reactions in developed markets such as the United States, the United Kingdom, and France, as well as in large emerging markets such as China. However, empirical evidence from

smaller emerging markets remains limited.

Vietnam provides a particularly suitable setting to examine market reactions to regulatory sanctions due to its distinctive enforcement and disclosure framework. Under Vietnamese securities law, the State Securities Commission (SSC) issues administrative sanction decisions after completing investigations, but these decisions are disclosed publicly only after a delay and through a single official announcement on the SSC's website. This separation between the issuance date and the disclosure date allows for a clear identification of when regulatory information becomes publicly available to investors.

Building on international evidence and the semi-strong form of the Efficient Market Hypothesis, this study investigates whether stock prices react differently to the issuance and the public announcement of regulatory sanctions in Vietnam. Using an event-study methodology, the analysis measures abnormal returns around both event dates. The study hypothesizes that the issuance of sanctions, which is not publicly observable, does not affect stock prices, whereas the public disclosure of sanctions generates negative market reactions. By focusing on Vietnam, the study extends the literature to a new institutional context and provides insights into how disclosure practices shape market responses in emerging securities markets.

The remainder of this paper is structured as follows. Section 2 describes the institutional background of regulatory enforcement in Vietnam. Section 3 reviews related literature and develops research hypotheses. Section 4 presents the data, and the event-study methodology. Section 5 presents and discusses the empirical results, including robustness checks. Finally, section 6 concludes and provides policy implications.

**2. SSC's Approach to Regulatory Sanctions**

Under the 2019 Law on Securities, the 2012 Law on Administrative Violations (as amended in 2020), and Decree No. 156/2020/ND-CP (as amended in 2021), the State Securities Commission of Vietnam (SSC) is the competent authority responsible for issuing administrative sanction decisions in the securities and capital market. As the primary regulatory body, the SSC has authority to impose administrative penalties on firms and individuals for violations of securities regulations.

The SSC detects, investigates, and handles violations in the securities market through continuous market surveillance, inspections, and specialized regulatory examinations. Information on potential misconduct is obtained from the transaction monitoring systems of the stock exchanges and the Vietnam Securities Depository, as well as from scheduled and ad hoc inspections. During the investigation process, the SSC is authorized to request relevant documents, records, and trading data from involved parties and may conduct on-site inspections of listed companies, securities firms, and other market intermediaries. Upon concluding the investigation and confirming the existence of violations, the SSC issues an administrative sanction decision in accordance with legal provisions. These sanction decisions are subsequently disclosed on the official website of the SSC and the stock exchanges, thereby providing formal and authoritative information to investors and the market.

At the time of issuance, sanction decisions primarily constitute internal legal and administrative actions between the regulator and the sanctioned entities, while the majority of market participants do not yet have access to this information. In practice, there exists a time lag of approximately two to five working days between the issuance date of a sanction decision and its public disclosure. Only after the decision is officially disclosed on the SSC's website does the information begin to be disseminated more widely through other media channels and become available to investors. As a result, the disclosure date, rather than the issuance date, represents the point at which the market effectively receives and processes information regarding regulatory sanctions.

This institutional feature of delayed disclosure in Vietnam is broadly comparable to enforcement practices observed in other major securities markets, albeit with important differences. In the United States, enforcement actions by the Securities and Exchange Commission (SEC) typically involve multiple sequential public announcements, including the initiation of an investigation, the conclusion of enforcement proceedings, the imposition of penalties, and, in many cases, related

civil litigation. In contrast, in the United Kingdom, the Financial Services Authority (FSA) historically disclosed enforcement actions only after investigations had been completed and a final notice had been issued, in accordance with the Financial Services and Markets Act (FSMA). Such final notices generally contained a concise summary of factual findings and the penalties imposed, and unlike in the United States, enforcement announcements in the UK rarely triggered private securities litigation due to the absence of an active class-action regime.

## 3. Literature Review and Hypothesis Development

### *3.1. Literature Review*

Negative market reactions following the disclosure of corporate misconduct are primarily driven by reputational losses, which materialize when firms' future business prospects are adversely affected after wrongdoing is revealed. Such reputational damage typically manifests through three main channels. First, firms may face higher operating costs due to the implementation of stricter internal controls and compliance mechanisms after violations are detected. Second, financing and contracting costs may increase as stakeholders - including creditors, suppliers, and business partners - tighten their cooperation terms in response to elevated perceived risk. Third, firms may suffer losses from existing and potential customers as negative news undermines trust in the company. When corporate misconduct is detected and publicly disclosed, investors revise their expectations regarding future cashflows and firm performance, and these revised expectations are immediately capitalized into stock prices, resulting in a decline in the firm's market value.

Since the early 1990s, a substantial body of literature has examined stock market reactions to regulatory enforcement actions in the United States. Feroz, Park, and Pastena (1991) investigate the impact of enforcement actions by the U.S. Securities and Exchange Commission (SEC) related to accounting and auditing violations. They find that the disclosure of Accounting and Auditing Enforcement Releases is associated with a significant decline of approximately 13% in average abnormal returns over a two-day window. Moreover, the market reacts negatively to announcements of SEC investigations even when information about the underlying misconduct had previously been publicly disclosed, suggesting that the initiation of an SEC investigation itself represents a credible punitive threat. In their study, abnormal returns decline by up to 6% following the announcement of an SEC investigation.

Karpoff and Lott (1993) examine market reactions to corporate fraud using a sample of 132 alleged and confirmed fraud cases between 1978 and 1987. Their results show that initial press reports of fraud allegations or investigations against private parties are associated with an average stock price decline of 1.34%, corresponding to a loss of approximately USD 60.8 million in shareholder value. For fraud cases involving government agencies, the loss increases to 5.05%, or approximately USD 40 million.

Extending this line of research, Kang (2008) studies the spillover of reputational penalties across firms connected through shared directors in cases of financial reporting fraud. Using an event-study approach, the author finds significant reputational penalties in 18.4% of firms linked to companies accused of fraud, particularly when the shared directors hold audit or governance-related positions. Karpoff et al. (2008) further demonstrate that reputational penalties imposed by the market far exceed formal legal sanctions. Studying 585 firms subject to SEC enforcement actions for financial fraud between 1978 and 2002, they find that estimated reputational losses - defined as reductions in the present value of future cash flows - are more than 7.5 times larger than the total monetary penalties imposed through legal and regulatory systems.

Beyond the U.S. context, several studies investigate market reactions to regulatory enforcement in the United Kingdom and France. Armour et al. (2017) examine enforcement actions by UK regulators between 2001 and 2011 and find that sanctioned firms experience statistically significant abnormal losses that are approximately nine times larger than the fines and compensation paid. These findings highlight the dominant role of reputational penalties relative to formal sanctions.

In the French context, De Batz (2020) analyzes enforcement actions by the French financial regulator, the Autorité des Marchés Financiers (AMF).

The study shows that shareholders do not react significantly to the early stages of enforcement procedures, such as the initiation of investigations or statements of objection, indicating that procedural confidentiality is largely preserved. However, statistically significant negative abnormal returns emerge following both the sanction decision and its public disclosure. On average, stock returns decline by approximately 0.9% over the [−1; +3] window around the sanction decision and by 0.8% following the publication of the decision. The results suggest that the regulatory determination of wrongdoing constitutes negative information to the market and that reputational penalties are primarily triggered at the disclosure stage.

Consistent findings are reported by Kirat and Rezaee (2019), who examine enforcement announcements by French financial regulators between 2004 and 2017. They find that cumulative abnormal returns decline by an average of 1.72% within five days following press releases announcing sanctions, while no significant market reaction is observed at the investigation or penalty announcement stages.

In emerging markets, research on reputational losses from regulatory enforcement has predominantly focused on China. Chen et al. (2005) study enforcement actions by the China Securities Regulatory Commission (CSRC) and find that sanctioned firms experience abnormal losses of approximately 1 - 2% within five days surrounding enforcement announcements. In addition to stock price declines, these firms exhibit higher auditor turnover, more qualified audit opinions, increased CEO turnover, and wider bid-ask spreads, indicating substantial economic consequences beyond immediate price effects.

Liebman and Milhaupt (2008) provide further evidence of reputational sanctions in the Chinese stock market. Using an event-study methodology combined with extensive interviews, they show that public criticism of listed firms leads to significant negative abnormal returns. Importantly, the reputational effects extend beyond the stock market, as banks and regulators incorporate enforcement information into their own decision-making processes. Xu et al. (2012) examine market reactions to environmental violations disclosed by Chinese authorities and find that firms associated with severe pollution incidents experience pronounced negative abnormal returns, particularly when media coverage is extensive and social consequences are severe.

In Vietnam, there is currently no empirical study that directly examines the impact of the public disclosure of corporate regulatory violations on firms' reputational losses in the stock market. However, several studies have investigated market reactions to the disclosure of misconduct by corporate executives. Loan et al. (2025) conduct a comprehensive event study analyzing cases in which corporate leaders were prosecuted or detained between 2012 and 2022. Using data from major Vietnamese newspapers, the authors identify nine executives associated with 24 listed firms and find that stock prices decline by an average of 4.5% on the announcement day. Over the [−5; +5] event window, cumulative losses reach as high as 22%, underscoring the severe impact of executive misconduct on investor confidence.

Similarly, Phuong (2021) examines stock price reactions to unexpected leadership-related events in the Vietnamese banking sector. The study finds that sudden and unanticipated events, such as the arrest of senior executives, trigger stronger and more persistent negative market reactions than anticipated leadership changes. These results highlight the role of information asymmetry, limited investor attention, and loss aversion in amplifying market responses to negative news related to corporate leadership.

### *3.2. Hypothesis Development*

A substantial body of empirical research examines stock market reactions to regulatory enforcement actions in developed and large emerging markets. Prior studies primarily focus on the United States (Karpoff et al., 2008), the United Kingdom (Armour et al., 2017), France (Kirat & Rezaee, 2019), and China (He & Fang, 2019; Huang & Zhang, 2023). These studies document statistically significant abnormal stock price movements surrounding regulatory announcements, indicating that enforcement actions convey value-relevant information to investors.

Despite the extensive international evidence, there is no empirical study investigating stock market reactions to regulatory sanctions in Vietnam. This gap is particularly important given that Vietnam

is an emerging market with a rapidly expanding stock market and an evolving regulatory framework. Examining market reactions in Vietnam therefore contributes new evidence from a distinct institutional setting and extends the existing literature.

Most prior studies rely on enforcement data from markets such as the United States and France, where information related to regulatory investigations is disclosed gradually over time, often through multiple announcements (Karpoff et al., 2014). The initial disclosure typically concerns the opening of an investigation, followed by subsequent announcements related to investigative progress, final findings, and sanctions. Such disclosure practices are observed in both the U.S. (Karpoff et al., 2008) and France (Kirat & Rezaee, 2019).

This staggered disclosure process increases the likelihood that investors incorporate information into prices before the final enforcement outcome is announced, making it difficult to isolate the market reaction to a single event. In contrast, in several other markets, regulators disclose only one official announcement after completing the investigation, which reduces information leakage and allows for a clearer identification of market responses.

The Vietnamese stock market follows this latter disclosure approach. The State Securities Commission of Vietnam (SSC) issues a single public announcement on its official website after the investigation has concluded. This institutional feature provides a cleaner setting for an event-study analysis and enables an assessment of whether abnormal returns occur prior to the official disclosure.

In recent years, SSC has intensified its enforcement activities to enhance market transparency and discipline. Between 2017 and 2023, the SSC issued nearly 2,000 sanction decisions, while in 2024 alone, 224 sanction decisions were issued with total fines of VND 55.5 billion. However, the monetary penalties imposed remain relatively small compared to the size and market capitalization of listed firms. Given the limited magnitude of financial penalties, stock price reactions-if any-are more likely to reflect investors' reassessment of firm value and risk following the release of regulatory information, rather than the direct cash-flow impact of the fines themselves. Therefore, examining market reactions to sanction-related events is particularly relevant in the Vietnamese context.

In the enforcement process, the SSC issues an administrative sanction decision upon completion of its investigation. However, this decision is not immediately disclosed to the public. The issuance date reflects the conclusion of the legal and administrative procedure, while investors generally remain unaware of the decision at this stage.

Under the semi-strong form of the Efficient Market Hypothesis, stock prices respond only to publicly available information. Since the issuance of a sanction decision is not publicly observable, it is unlikely to generate a measurable market reaction. Consequently, stock returns around the issuance date should not exhibit significant abnormal performance. This leads to the following hypothesis:

*H1: The issuance of regulatory sanction decisions has no impact on the sanctioned firm's stock returns.*

In contrast, the public announcement of a sanction decision represents the first point at which information about regulatory enforcement becomes available to investors and the market. Once disclosed on the SSC's website and subsequently disseminated through financial media, the information may lead investors to update their expectations regarding the firm's future performance, compliance risk, and governance quality.

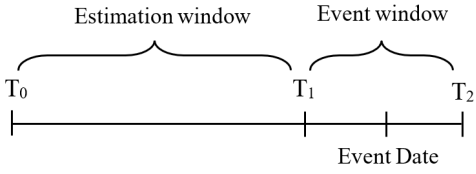
Accordingly, the public announcement of regulatory sanctions is expected to trigger negative stock market reactions, reflecting the incorporation of new and adverse information into prices. This expectation motivates the following hypothesis:

*H2: The public announcement of regulatory sanction decisions has a negative impact on the sanctioned firm's stock returns.*

## 4. Methodology and Data

### *4.1. Methodology*

This study employs the event study methodology to examine stock market reactions to the public disclosure of corporate violations. The timeline of the event study, illustrated in the figure below, consists of the estimation window, the event window - during which market reactions are observed - and the post-event window.




The analysis uses abnormal returns (AR) to measure stock price movements around the announcement date. Based on abnormal returns, cumulative abnormal returns and cumulative average abnormal returns are calculated to assess the magnitude and direction of market reactions. The empirical procedure is implemented as follows:

*Step 1: Estimation of Abnormal Returns*

The event window is defined as one trading days before and five trading days after the event date, consistent with Kirat and Rezaee (2019). This window allows the detection of potential information leakage or anticipatory market reactions prior to the official disclosure.

Two alternative estimation windows are employed: 130 trading days, following De Batz (2020), and 260 trading days, following Armour et al., (2017) to ensure the robustness of the results.

Abnormal returns for firm *i* at time *t* are computed using the market model:

$$AR_{i,t}=R_{i,t}-\alpha_i-\beta_i R_{m,t}$$

where  denotes the return of firm *i* at time *t*, and  represents the market return. In this study, we used VN-index for market return. The parameters  and  are estimated from the following linear regression over the estimation window:

$$R_{i,t}=\alpha_i+\beta_i R_{m,t}+\varepsilon_{i,t}$$

*Step 2: Estimation of Cumulative Abnormal Returns (CAR)*

The cumulative abnormal return (CAR) for firm *i* over the event window  is calculated as:

$$CAR_{i,[T_1;T_2]} = \sum_{j=T_1}^{T_2} AR_{i,j}$$

The cumulative average abnormal return (CAAR) across all events is then computed as:

$$CAAR_{[T_1;T_2]} = \frac{1}{N}\sum_{i=1}^{N} CAR_{i,[T_1;T_2]}$$

where *N* denotes the total number of events in the sample.

*Step 3: Statistical Testing*

Parametric t-statistics are used to test the statistical significance of mean abnormal returns  based on the cross-sectional standard errors of abnormal returns. Statistically significant negative CAARs indicate that the stock market reacts negatively to the issuance or public disclosure of regulatory sanctions.

***4.2. Data***

This study collects administrative sanction announcements disclosed on the official website of the State Securities Commission of Vietnam (ssc.gov.vn) over the period 2013 to February 2024. The initial dataset is refined through a systematic screening procedure to construct the final sample.

First, consistent with the research scope, the sample excludes sanctions imposed on individuals, unlisted firms, firms listed on the UPCoM market, and firms listed on the Hanoi Stock Exchange (HNX). The exclusion of firms in HNX and UPCoM is motivated by the generally low trading liquidity of stocks on those exchanges. Given the predominantly weak-form efficiency of this market segment, regulatory enforcement information is unlikely to be fully and promptly reflected in stock prices, potentially biasing the measurement of market reactions.

Second, the study excludes firms that do not have at least 260 trading days of stock price data prior to the event date. This requirement ensures sufficient observations to estimate the market model and to compute cumulative average abnormal returns (CAARs) with reliability.

For each sanction announcement included in the final sample, the study identifies two distinct event dates. The issuance date corresponds to the date on which the SSC formally issues the administrative sanction decision, marking the completion of the regulatory investigation and legal procedure. The disclosure date refers to the date on which the sanction decision is publicly disclosed on the SSC's official website, representing the first point at which the enforcement information becomes available to investors and the market. Ather that, the authors collect daily closing stock prices of the sanctioned firms and the corresponding daily closing values of the VN-Index. All market data are obtained from the FiinPro financial database.

After applying these screening criteria, the final sample comprises 153

administrative sanction announcements, as reported in Table 4.1.

**Table 4.1.** Number of Sanctions by Year

| Year | Number of sanctions |
|---|---|
| 2013 | 7 |
| 2014 | 8 |
| 2015 | 6 |
| 2016 | 4 |
| 2017 | 13 |
| 2018 | 12 |
| 2019 | 14 |
| 2020 | 14 |
| 2021 | 9 |
| 2022 | 33 |
| 2023 | 22 |
| 2024 | 11 |
| **Total** | **153** |

**5. Results**

The event-study results indicate that the stock market does not exhibit a statistically significant reaction around the issuance date of regulatory sanction decisions. As reported in Table 5.1, CAARs for event windows starting on the issuance date are generally small in magnitude and statistically insignificant, suggesting that the issuance of sanctions is not immediately incorporated into stock prices.

This finding can be explained by the semi-strong form of the Efficient Market Hypothesis, which posits that stock prices respond only to publicly available information. In the Vietnamese context, the issuance of a sanction decision represents an internal administrative milestone between the regulator and the sanctioned firm and is not publicly observable at the time of issuance. As a result, market participants are unable to access or process this information, making it unlikely to trigger an immediate price adjustment.

Importantly, the absence of statistically significant abnormal returns prior to the issuance date, particularly in event windows including the days immediately preceding the decision, also provides evidence of no potential information leakage before the official press statement by the regulator. If confidential information regarding the impending sanction had leaked to the market, one would expect to observe abnormal price movements in the days leading up to the issuance or disclosure. However, the empirical results do not support such a pattern.

Taken together, these findings suggest that stock returns around the issuance date do not exhibit significant cumulative average abnormal return, and that the market remains uninformed until the sanction decision is formally disclosed. Therefore, the results support Hypothesis H1.

**Table 5.1.** Testing CAARs Around the Issuance Date of Sanctions Using 130-day Estimation Window

| Windows | CAAR | t-statistic | p-value |
|---|---|---|---|
| ***Issuance date of sanctions*** | | | |
| [0] | 0.31% | 1.290 | 0.901 |
| [0;1] | 0.07% | 0.179 | 0.571 |
| [0;2] | 0.07% | 0.150 | 0.559 |
| [0;3] | -0.05% | -0.092 | 0.464 |
| [0;4] | -0.36% | -0.551 | 0.291 |
| [0;5] | -0.60% | -0.834 | 0.203 |

| | | | |
|---|---|---|---|
| [1] | -0.24% | -1.027 | 0.153 |
| [1;2] | -0.24% | -0.674 | 0.251 |
| [1;3] | -0.36% | -0.783 | 0.218 |
| [1;4] | -0.66% | -1.180 | 0.120 |
| [1;5] | -0.90% | -1.430 | 0.077* |
| [1;6] | -0.77% | -1.135 | 0.129 |

*Table 5.1 reports cumulative average abnormal returns (CAARs) around the issuance date of sanctions. The CAARs are based on market model parameters, estimated over the 130 trading days from −131 to −2 trading days prior to the issuance date. t-statistics are calculated using the cross-sectional standard error of abnormal returns, and p-values are computed for the null hypothesis that CAAR is greater than or equal to zero. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.*

Table 5.2 reports the cumulative average abnormal returns (CAARs) for event windows beginning on the public disclosure date of regulatory sanctions and extending up to five trading days thereafter. The results indicate that CAARs in the short event windows [0], [0;1], and [0;2] are statistically insignificant, suggesting that the market does not react immediately on the disclosure day. However, when the event window is extended, CAARs in windows [0;4] and [0;5] become negative and statistically significant, with values of -1.11% and -1.00%, respectively.

These findings suggest that the negative impact of sanction disclosures is not fully incorporated into stock prices on the disclosure date itself, but instead accumulates gradually over subsequent trading days. A plausible explanation for this delayed adjustment is that sanction decisions are typically published on the official website of the State Securities Commission (SSC) late in the day and outside regular trading hours, preventing investors from reacting immediately upon disclosure. As a result, stock price adjustments are postponed and become more evident in the following trading sessions.

This interpretation is further reinforced when examining event windows that begin on day 1, after the disclosure date. All windows from [1] to [1;6] exhibit negative and highly statistically significant CAARs, with cumulative declines ranging from -0.52% to -1.33%. Notably, the largest decreases are observed in the [1;4] and [1;6] windows, both recording CAARs of -1.33%, significant at the 1% or 5% levels. These results indicate that the market's negative reaction occurs predominantly after the public disclosure, once investors have had sufficient opportunity to process the information and execute trades.

The empirical evidence supports Hypothesis H2, which posits that the public announcement of regulatory sanction decisions has a negative impact on the sanctioned firm's stock returns.

**Table 5.2.** Testing CAARs Around the Disclosure Date of Sanctions Using 130-day Estimation Window

| Windows | CAAR | t-statistic | p-value |
|---|---|---|---|
| ***Disclosure date of sanctions*** | | | |
| [0] | 0.22% | 0.869 | 0.807 |
| [0;1] | -0.34% | -0.880 | 0.190 |
| [0;2] | -0.49% | -1.075 | 0.142 |
| [0;3] | -0.83% | -1.496 | 0.068* |
| [0;4] | -1.11% | -1.807 | 0.036** |
| [0;5] | -1.00% | -1.605 | 0.055* |
| [1] | -0.52% | -2.271 | 0.012** |
| [1;2] | -0.72% | -2.328 | 0.011** |
| [1;3] | -1.06% | -2.421 | 0.008*** |

| | | | |
|---|---|---|---|
| [1;4] | -1.33% | -2.751 | 0.003*** |
| [1;5] | -1.23% | -2.399 | 0.009*** |
| [1;6] | -1.33% | -2.321 | 0.011** |

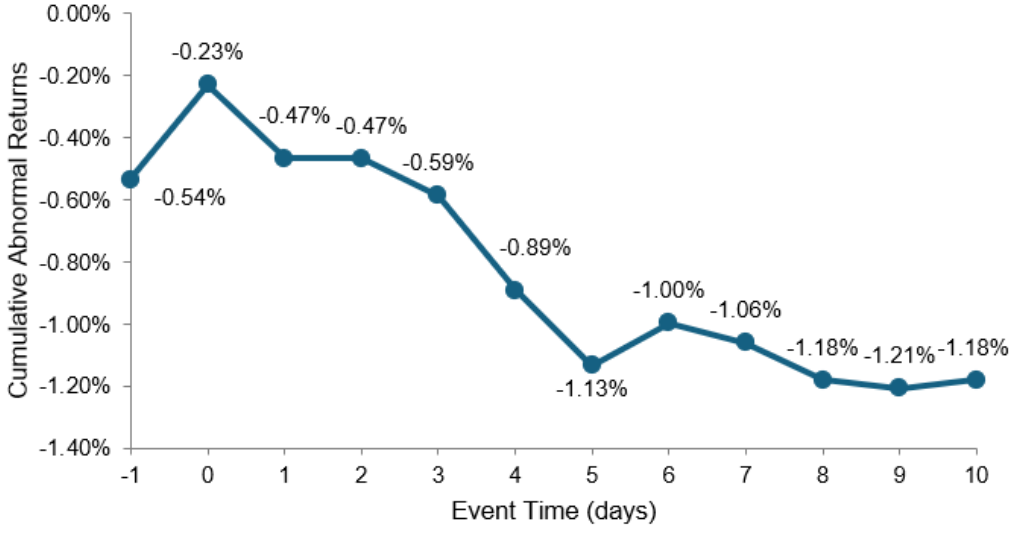
*Table 5.2 reports cumulative average abnormal returns (CAARs) around the disclosure date of sanctions. The CAARs are based on market model parameters, estimated over the 130 trading days from −131 to −2 trading days prior to the issuance date. t-statistics are calculated using the cross-sectional standard error of abnormal returns, and p-values are computed for the null hypothesis that CAAR is greater than or equal to zero. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.*

Figure 5.1 illustrates the cumulative average abnormal returns (CAARs) around the public disclosure date of regulatory sanctions. The horizontal axis represents event time measured in trading days relative to the announcement date (day 0), while the vertical axis reports CAAR values, capturing the cumulative stock market response to the disclosed sanction information.

First, during the pre-announcement period and on the announcement day itself ($t \leq 0$), CAAR does not exhibit a pronounced decline and instead remains relatively stable. In particular, there is no persistent downward movement in CAAR prior to day 0, indicating that the market does not anticipate the sanction announcement. This finding is fully consistent with the earlier event-study results and provides further evidence of the absence of potential information leakage before the official disclosure. Moreover, the lack of a significant reaction on day 0 can be explained by the institutional setting in which sanction decisions are typically published on the regulator's website late in the day and outside regular trading hours, preventing investors from responding immediately through trading activities.

Second, in the post-announcement period ($t > 0$), CAAR declines sharply and persistently. Starting from day 1, cumulative abnormal returns decrease substantially, reaching their lowest level approximately five trading days after the disclosure date. Importantly, CAAR does not recover in the subsequent five trading days and remains at a markedly negative level. This pattern suggests that the negative impact of sanction disclosures is gradually incorporated into stock prices as investors digest the information and adjust their expectations and portfolios over time. The sustained decline further indicates that the market reaction is not short-lived but reflects a more persistent reassessment of firm value following the public announcement of regulatory sanctions.

**Figure 5.1.** CAARs Before and After the Disclosure Date of Sanctions




***Robustness Check***

To assess the robustness of the findings, the event study is re-estimated using a longer estimation window of 260 trading days, spanning from day −261 to day −2 relative to the sanction disclosure

date. The results indicate no material differences compared to those obtained using the 130-day estimation window, thereby confirming the stability and consistency of the main conclusions.

Specifically, for the disclosure date of sanctions, CAARs in short event windows around day 0, including [0], [0;1], and [0;2], remain statistically insignificant, suggesting the absence of an immediate market reaction. However, as the event window is extended, CAARs become negative and statistically significant in windows [0;4] and [0;5], with cumulative declines of -1.13% and -0.96%, respectively. More importantly, all event windows beginning on day 1, from [1] to [1;6], exhibit negative and highly significant CAARs, ranging from -0.52% to -1.34%. This pattern is fully consistent with the baseline results, indicating that adverse market reactions primarily materialize after the public disclosure of sanction information.

In contrast, for the issuance date of sanction decisions, CAARs across most event windows remain statistically insignificant, even when a longer estimation window is employed. Only a limited number of longer windows, such as [1;5], show weak significance at the 10% level. These findings further reinforce the conclusion that the issuance of sanction decisions, which is not publicly observable, does not generate a meaningful market response.

**Table 5.3.** Testing CAARs Around the Disclosure Date of Sanctions Using 260-day Estimation Window

| Windows | CAAR | t-statistic | p-value |
|---|---|---|---|
| ***Disclosure date of sanctions*** | | | |
| [0] | 0.22% | 0.863 | 0.805 |
| [0;1] | -0.30% | -0.807 | 0.211 |
| [0;2] | -0.46% | -1.028 | 0.153 |
| [0;3] | -0.84% | -1.541 | 0.063* |
| [0;4] | -1.13% | -1.861 | 0.032** |
| [0;5] | -0.96% | -1.558 | 0.061* |
| [1] | -0.52% | -2.319 | 0.011** |
| [1;2] | -0.68% | -2.256 | 0.013** |
| [1;3] | -1.05% | -2.463 | 0.008*** |
| [1;4] | -1.34% | -2.789 | 0.003*** |
| [1;5] | -1.18% | -2.319 | 0.011** |
| [1;6] | -1.23% | -2.168 | 0.016** |

*Table 5.3 reports cumulative average abnormal returns (CAARs) around the disclosure date of sanctions. The CAARs are based on market model parameters, estimated over the 260 trading days from −261 to −2 trading days prior to the disclosure date. t-statistics are calculated using the cross-sectional standard error of abnormal returns, and p-values are computed for the null hypothesis that CAAR is greater than or equal to zero. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.*

**Table 5.4.** Testing CAARs Around the Issuance Date of Sanctions Using 260-day Estimation Window

| Windows | CAAR | t-statistic | p-value |
|---|---|---|---|
| ***Issuance date of sanctions*** | | | |
| [0] | 0.30% | 1.289 | 0.900 |
| [0;1] | 0.09% | 0.248 | 0.598 |
| [0;2] | 0.12% | 0.276 | 0.609 |
| [0;3] | 0.02% | 0.043 | 0.517 |

| | | | |
|---|---|---|---|
| [0;4] | -0.27% | -0.421 | 0.337 |
| [0;5] | -0.55% | -0.786 | 0.217 |
| [1] | -0.21% | -0.909 | 0.182 |
| [1;2] | -0.18% | -0.521 | 0.302 |
| [1;3] | -0.28% | -0.630 | 0.265 |
| [1;4] | -0.57% | -1.043 | 0.149 |
| [1;5] | -0.85% | -1.384 | 0.084* |
| [1;6] | -0.68% | -1.034 | 0.152 |

*Table 5.4 reports cumulative average abnormal returns (CAARs) around the issuance date of sanctions. The CAARs are based on market model parameters, estimated over the 260 trading days from −261 to −2 trading days prior to the issuance date. t-statistics are calculated using the cross-sectional standard error of abnormal returns, and p-values are computed for the null hypothesis that CAAR is greater than or equal to zero. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.*

**6. Conclusion**

This study examines stock market reactions to regulatory sanction decisions in Vietnam, distinguishing between the issuance date and the public disclosure date of sanctions imposed by the State Securities Commission. Using an event-study methodology and a comprehensive dataset of sanction announcements, the analysis provides several important findings.

First, the results show no statistically significant abnormal returns around the issuance date of sanction decisions. This finding is consistent with the semi-strong form of the Efficient Market Hypothesis, as issuance decisions are internal regulatory actions that are not publicly observable. The absence of abnormal returns prior to issuance also suggests that there is no meaningful information leakage before the regulator's official disclosure.

Second, the public disclosure of sanction decisions leads to a significant and persistent negative market reaction. Although stock prices do not react immediately on the disclosure day, cumulative abnormal returns become increasingly negative in subsequent trading days, reaching their lowest levels approximately five days after disclosure and showing no quick recovery. This delayed adjustment reflects the timing of disclosures outside trading hours and gradual investor response as information is processed and incorporated into prices.

Robustness checks using alternative estimation windows confirm that these findings are stable and not sensitive to model specification. Overall, the results support the hypothesis that public regulatory announcements, rather than internal enforcement actions, drive stock market reactions in Vietnam. The study contributes to the literature by providing the first systematic evidence on market reactions to regulatory sanctions in Vietnam and underscores the importance of transparency and disclosure timing in enhancing the effectiveness of regulatory enforcement in emerging markets.

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