



## ENTERPRISES MAY HOLD CAPITAL IN JOINT-VENTURE BANKS IN VIETNAM

On 31 October 2023, the State Bank of Vietnam (“**SBV**”) issued Circular No. 13/2023/TT-NHNN (“**Circular 13**”) delineating a number of significant changes to the regulatory framework of licensing, organization and operations of commercial banks in Vietnam.

Among other changes, there is good news that enterprises which are not banks will have an opportunity to hold capital in joint-venture banks in Vietnam. Circular 13 comes into force on 14 December 2023.

### **Members of a joint-venture bank may be non-bank entities**

A joint-venture bank is a bank established based on a joint-venture between Vietnamese part(ies) and foreign part(ies).

Under the current legal framework as established in Circular No. 40/2011/TT-NHNN (“**Circular 40**”), only Vietnamese and foreign banks are entitled to establish and contribute capital into joint-venture banks.

However, under Circular 13, holding capital in joint-venture banks may be further vested in the enterprises which are not banks subject to their satisfaction of compulsory requirements. In the shareholding structure of a joint-venture bank, the Vietnamese side may include at least one Vietnamese bank and at most one Vietnamese enterprise; and the foreign side may include at least one foreign bank and at most one foreign enterprise. Capital contribution to joint-venture banks shall be subject to approval from the State Bank Vietnam.

## Legal Updates

### Which enterprises are eligible to hold capital in joint-venture banks?

For this purpose, such enterprises are required:

- to be legally established under either Vietnamese laws or those of foreign jurisdictions;
- to meet the following financial criteria during the three most recent years:

Target capital ratio in the joint venture bank's charter capital	Owner's equity	Total assets	Profit
Up to 1%	At least VND200 billion	At least VND400 billion	To have a profitable business
From over 1% to less than 5%	At least VND1,000 billion	At least VND2,000 billion	To have a profitable business

- not to use external funds (i.e., loans, mobilized capital from other persons) for capital contribution;

- to fulfill all tax and social insurance obligations up to the submission date of the application dossier to the State Bank of Vietnam;
- not to be founding shareholder/member, strategic shareholder or owner of any other credit institution in Vietnam;
- in some particular cases, additional conditions may be applicable, for instance:
  - a written approval from the competent governmental agency in case where the non-bank entity is a State-owned enterprise;
  - a non-bank entity, who engages in banking, securities and insurance sectors, must strictly comply with regulations on capital contribution in the aforesaid sectors; and
  - a non-bank entity, who engages in business lines subject to minimum capital requirements, must ensure that the difference between the owner's equity and the minimum capital must not be lower than the amount registered for contributing to the joint-venture bank according to audited financial statements for the latest fiscal year with no qualified opinions by independent auditor.

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