

LEGAL UPDATES

SECURITIES

Law No. 54/2019/QH14 on Securities

Effective date: 1 January 2021

Law No. 54/2019/QH14 on Securities (“**New Law**”) replaces Law No. 70/2006/QH11 on Securities and Law No. 62/2010/QH13 amending Law No. 70/2006/QH11 (“**Prevailing Laws**”). Key points of the New Law are set out below:

1. The New Law separates the public offering into initial public offering (IPO) and subsequent public offering and sets out different conditions for each case.

A notable condition for both forms of public offering under the New Law is that the companies shall have the contributed charter capital from at least VND30 billion according to the book value (as compared to VND10 billion under the Prevailing Laws) at the time of public offering registration. In the case of IPO, the companies shall also have profit from business in two years preceding the year of public offering registration (as compared to one year under the Prevailing Laws); and at the same time have no accrued loss up to the year of public offering registration.

2. Under the New Law, a public company is either
 - (i) a company having the contributed charter capital of at least VND30 billion and at least 10% of voting shares held by at least 100 investors who are not major shareholders (i.e. shareholders owning from 5% of voting shares); or
 - (ii) a company having successfully conducted the IPO via registration with the State Securities Commission of Vietnam (SSC).
3. The New Law imposes a stricter requirement on annual financial statements where they shall be audited by an auditing organization approved by SSC.
4. Under the New Law, the private placement of public companies shall open for professional securities investors and strategic investors only. Meanwhile, under the Prevailing Laws, the General Meeting of Shareholders may, at its discretion, make decisions on who can participate into the private placement of the company.

Under the New Law, the transfer-lock-up period of shares issued through a private placement by a public company shall be at least one year for professional securities investors and at least three years for strategic investors, except in some stipulated cases. Meanwhile, the Prevailing Laws requires that all shares issued through a private placement by a public company are subject to a one-year lockup (except in some stipulated cases), regardless of subscribers.

5. Under the New Law, other individuals/organizations such as shareholders, group of related persons, foreign investors and insiders will also be subject to the disclosure requirements.
6. Under the New Law, in addition to an operation license issued by the SSC, securities companies and securities-investment-fund-management companies shall also obtain an enterprise registration certificate from the local Department of Planning and Investment. The existing securities companies and securities-investment-fund-management companies shall comply with this requirement within two years from the effective date of the New Law.
7. Within two years from the effective date of the New Law, the Vietnam Stock Exchange and the Vietnam Securities Depository and Clearing Corporation will be established. The State will hold more than 50% of the charter capital or voting shares of those organizations. The Existing Ho Chi Minh City Stock Exchange, the Hanoi Stock Exchange and the Vietnam Securities Depository Center will cease their operations thereafter.

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8. Administrative fines are lifted by 1.5 times whereby the maximum amounts applicable to organizations and individuals shall be VND3 billion and VND1.5 billion, respectively.

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BANKING

Circular No. 23/2019/TT-NHNN amending and supplementing Circular No. 39/2014/TT-NHNN regarding intermediary payment services

Effective date: 7 January 2020

The Circular provides for, among others, regulations regarding the digital wallet service. Below are outstanding provisions:

1. The digital wallet service providers shall open a separate bank account specifically used for guarantee of supply of the digital wallet service.
2. Information and dossier for opening digital wallets of customers are regulated for the first time in this Circular. The digital wallet service providers shall fully collect the required information and documents from their existing customers within six months from the effective date of this Circular. Subsequently, the digital wallet service providers shall terminate the supply of the digital wallet service to any customer failing to sufficiently provide information and documents.
3. Holders of digital wallets can add or withdraw money using their debit cards. Value of transactions via all digital wallets of a customer opened at a digital wallet service provider shall be capped at VND100 million per month.

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