

**LAW
ON
CREDIT INSTITUTIONS**

(18 January 2024)

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Ha Noi, 18 January 2024

**LAW
ON
CREDIT INSTITUTIONS**

*Pursuant to the Constitution of the Socialist Republic of Vietnam;
The National Assembly promulgates the Law on Credit Institutions.*

Chapter I

GENERAL PROVISIONS

Article 1. *Scope of regulation*

This Law provides for the establishment, organization, operation, early intervention, special control, reorganization, dissolution or bankruptcy of credit institutions; the establishment, organization, operation, early intervention, dissolution or termination of the operation of foreign bank branches; the establishment and operation of representative offices in Vietnam of foreign credit institutions and other foreign organizations engaged in banking operations; the settlement of bad debts and the disposal of collateral of bad debts of credit institutions, foreign bank branches, and organizations in which the State owns 100% of charter capital with the function of buying, selling and settling debts.

Article 2. *Subjects of application*

1. Credit institutions.
2. Foreign bank branches.
3. Representative offices in Vietnam of foreign credit institutions and other foreign organizations engaged in banking operations (hereinafter referred to as foreign representative offices).
4. Organizations in which the State owns 100% of charter capital which have the function of buying, selling and settling debts (hereinafter referred to as organisations buying, selling and settling bad debts).
5. Agencies, organizations and individuals involved in the establishment, organization, operation, early intervention, special control, reorganization, dissolution or bankruptcy of credit institutions; the establishment, organization, operation, early intervention, dissolution or termination of operation of foreign bank branches; the establishment and operation of foreign representative offices; the settlement of bad debts and collateral of bad debts of credit institutions, foreign bank branches, and organisations involved in buying, selling and settling bad debts.

Article 3. *Application of commercial practices*

Organizations and individuals engaged in banking operations are entitled to agree upon the application of the following commercial practices:

1. International commercial practices promulgated by the International Chamber of Commerce;
2. Other commercial practices which are not contrary to fundamental principles of Vietnamese law.

Article 4. *Interpretation of words*

In this Law, the terms below shall be construed as follows:

1. **Factoring** means a form of extending credit through the redemption of receivables of the seller or advance payment on behalf of the buyer under the contract for purchase and sale of goods or provision of services between the buyer and the seller.
2. **Bank guarantee** means a form of extending credit to a client through a credit institution or a foreign bank branch committing to the guarantor that it will perform financial obligations on behalf of the guarantee recipient when the obligor fails to perform or fulfil the committed obligations; The client must receive compulsory debts and reimburse them to credit institutions and foreign bank branches as agreed.
3. **Early intervention** means the State Bank of Vietnam (hereinafter referred to as the State Bank) applying restrictive requirements and measures to credit institutions and foreign bank branches and requesting such credit institutions and foreign bank branches to implement remediation plans under the supervision of the State Bank in order to remedy the situation as prescribed in Clause 1, article 156 of this Law.
4. **Credit extension** (issuing) means an agreement for an organization or individual to use a sum of money or undertake to permit the use of a sum of money on the principle of repayment by means of lending, discounting, financial leasing, factoring, bank guarantee, letter of credit and other credit issuing operations.
5. **A foreign bank branch** is an economic organization without legal status and a dependent unit of a foreign bank, guaranteed by the foreign bank to be responsible for all obligations and commitments of its branch in Vietnam.
6. **Discount** means a form of extending credit through a term purchase or purchase with reservation of the beneficiary's right to recourse for negotiable instruments and other valuable papers of the beneficiary before payment is due.
7. **Lending** means a form of extending credit through a lender assigning or undertaking to deliver to a client an amount of money to be used for a specified purpose, within a certain period of time, on the principle of full repayment of principal and interest as agreed upon to the lender.
8. **Major shareholder** means a shareholder of a credit institution being a joint-stock company owning five percent (5%) or more of the voting shares of that credit institution, including the number of shares such shareholders indirectly own.
9. *A subsidiary of a credit institution* is a company in one of the following cases:
 - a) The credit institution, or credit institution and its related persons, own more than 50% of the charter capital or more than 50% of the voting shares of that company;
 - b) A credit institution has the right to appoint a majority or all members of the Managing Board, members of the members' council, and general director (director) of that company;

- c) A credit institution has the right to amend and supplement its charter;
- d) The credit institution, or credit institution and related persons of the credit institution, directly or indirectly control the adoption of resolutions and decisions of the general meeting of shareholders, the board of management and the members' council of that company.
10. *Controlling company means* a company that directly or indirectly owns more than 20% of the charter capital of a commercial bank or is a controlling company of a commercial bank or a commercial bank with subsidiaries or affiliated companies.
11. *Associate company of a credit institution means* a company in which a credit institution or credit institution and its related persons owns more than 11% of the charter capital or more than 11% of the voting shares, but are not subsidiaries of such credit institution.
12. *specialized finance company means* a type of non-bank credit institution whose main activities are in one of the fields of factoring, consumer credit and financial leasing in accordance with this Law.
13. *General finance company means* a type of non-bank credit institution that carries out its activities as prescribed in Section 3, Chapter V of this Law.
14. *Provision of payment services via account means* the provision of the means of payment; providing payment services by way of checks, payment orders, payment authorizations, collections, collection authorizations, bank cards, and other payment services for clients through clients' payment accounts.
15. *Licenses includes* establishment and operation licenses of credit institutions, licenses for the establishment of foreign bank branches and licenses for the establishment of foreign representative offices granted by the State Bank. The State Bank's document on license amendment and supplementation is an integral part of the license.
16. *Capital contribution or share purchase by a credit institution means* where a credit institution directly contributes capital, or entrusts another organization to contribute capital, constituting its charter capital; the purchase of shares of enterprises or other credit institutions, including the receipt of transfer, purchase of shares or contributed capital of enterprises or other credit institutions; providing capital or contributing capital to subsidiaries and affiliated companies of credit institutions; and contributing capital to investment funds.
17. *Banking operation means* the regular business or provision of one or more of the following operations:
- a) Receiving deposits;
 - b) Extending credit;
 - c) Providing payment services via accounts.
18. *An investment in the form of capital contribution or share purchase in order to take control of an enterprise includes* an investment accounting for more than 50% of the charter capital or voting share capital of an enterprise or another investment sufficient to govern the decision of the general meeting of shareholders or the members' council.
19. *Special control means* the State Bank's decision to place a credit institution under direct control of the State Bank.

20. *Currency brokerage means* acting as an intermediary that charges brokerage fees to arrange for the implementation of banking operations and other business operations between credit institutions and foreign bank branches, as prescribed by this Law.

21. *Bank means* a type of credit institution that may conduct all banking operations in accordance with this Law. Types of banks include commercial banks, policy banks, cooperative banks.

22. *Cooperative bank means* a bank of all people's credit funds established by people's credit funds and a number of other capital-contributing legal entities in accordance with this Law with the main objective of an association of systems, providing mutual financial support and regulating capital in the system of people's credit funds.

23. *Commercial bank means* a type of bank that may conduct all banking and other business operations as prescribed by this Law for the purpose of profit.

24. *Related person means* an organization or individual that has a direct or indirect relationship with another organization or individual in one of the following cases:

a) Parent company with subsidiaries and vice versa; parent company with subsidiary of subsidiary and vice versa; credit institutions with subsidiaries of credit institutions and vice versa; credit institutions with subsidiaries of subsidiaries of credit institutions and vice versa; subsidiaries of the same parent company or of the same credit institution together; subsidiaries of subsidiaries of the same parent company or of the same credit institution together; managers, controllers, members of the Board of Controllers of the parent company or of a credit institution, an individual or organization competent to appoint these persons with subsidiaries and vice versa;

b) The company or credit institution with managers, controllers, members of the board of controllers of that company or credit institution or with the company or organization competent to appoint such persons and vice versa;

c) The company or credit institution with an organization or individual owning five (5%) or more of the charter capital or voting share capital in that company or credit institution and vice versa;

d) Individuals with spouses; natural parents, adoptive parents, stepfathers, stepmothers, parents-in-law (mother's side), parents-in-law (father's side); biological children, adopted children, stepchildren of spouses, daughters-in-law, sons-in-law; brothers, sisters, half-siblings, half-brothers, half-sisters, brothers-in-law, brothers-in-law of half-parents, sisters-in-law, sister-in-law of half-parents, sister-in-law of the same parent or half-father or half-mother-in-law (hereinafter referred to as spouse, father, mother, child, brother, sister, brother); paternal grandparents, maternal grandparents; great-grandchildren; maternal uncles, maternal aunts, paternal uncles, paternal uncles and nephews;

dd) The company or credit institution with an individual having the relationship specified at Point d of this Clause with managers, controllers, members of the board of controllers, capital-contributing members or shareholders owning five (5%) or more of the charter capital or voting share capital of that company or credit institution and vice versa;

e) The authorized individual represents the capital contribution to the organization or individual specified at Points a, b, c, d and dd of this Clause with the authorized organization or individual; individuals authorized to represent the capital contribution of the same organization together;

g) Other legal entities and individuals having potentially risky relationships for the operation of credit institutions or foreign bank branches determined according to internal regulations of credit

institutions or foreign bank branches or at the written request of the State Bank through inspection and supervisory activities;

h) For people's credit funds, persons related to clients of people's credit funds including the cases specified at Points b, c, dd and g of this Clause; client with spouse, father, mother, child, brother, or sister of that client.

25. *Executives of a credit institution include* the general director (director), deputy general director (deputy director), chief accountant, branch director and equivalent positions as prescribed in the charter of the credit institution.

26. *The manager of a credit institution includes* the chairman and other members of the Managing Board; chairman, other members of the members' council; General director (director) and other managerial positions as prescribed in the charter of the credit institution.

27. *Receiving deposits means* activities of receiving money from organizations and individuals in the form of demand deposits, time deposits, savings deposits, issuance of certificates of deposit and other forms of receiving deposits on the principle of full refund of principal and interest as agreed upon to the organization and individual depositors (hereinafter referred to as depositors).

28. *Compulsory transfer plan means* a plan in which owners, capital-contributing members and shareholders of a commercial bank under special control must transfer all shares and contributed capital to the transferee.

29. *A credit institution under special control restructuring plan (hereinafter referred to as a restructuring plan) means* one of the following options:

- a) Recovery plan;
- b) Plan on merger, consolidation or transfer of all shares and contributed capital;
- c) Compulsory transfer plan;
- d) Dissolution plan;
- dd) Bankruptcy plan.

30. *People's credit fund means* a type of credit institution voluntarily established by legal entities, individuals or households in the form of cooperatives to carry out one or several banking operations in accordance with this Law with the main objective of mutual assistance for production development, business and life.

31. *Mass withdrawal means* where a credit institution has many depositors withdraw money at the same time, resulting in a credit institution being at risk of insolvency or insolvency as prescribed by the Governor of the State Bank.

32. *Derivative products are* financial instruments that are priced according to expected fluctuations in the value of an underlying financial asset such as interest rates, foreign exchange, currencies or other financial assets.

33. *Indirect ownership means* an organization or individual owning charter capital of a credit institution through an investment trust or through an enterprise in which such organization or individual owns more than 50% of the charter capital.

34. *Re-discount means* the discounting of negotiable instruments and other valuable papers that have been discounted before payment is due.

35. *Current account means* a demand deposit account of a client opened at a bank or foreign bank branch to use payment services provided by a bank or foreign bank branch.

36. *Letter of credit means* a form of extending credit through the issuance, confirmation, negotiation of payment and refund of letters of credit.

37. *Microfinance institution means* a credit institution that mainly carries out one or several banking operations, in order to meet the needs of low-income individuals, households and microenterprises.

38. *Credit institution means* an economic organization with legal status that carries out one, some or all banking operations in accordance with this Law. Credit institutions include banks, non-bank credit institutions, microfinance institutions and people's credit funds.

39. *Supporting credit institution means* a credit institution engaged in the management, administration, control and organizational, operational and financial support for a credit institution under special control.

40. *Foreign credit institution means* a credit institution established abroad in accordance with foreign law.

Foreign credit institutions may have a commercial presence in Vietnam in the form of joint venture banks, banks with 100% foreign capital, foreign bank branches, joint venture finance companies, financial companies with 100% foreign capital, joint venture finance leasing companies, financial leasing companies with 100% foreign capital, and foreign representative offices.

Joint venture banks and banks with 100% foreign capital are types of commercial banks; Joint venture finance companies, 100% foreign-owned financial companies, joint venture finance leasing companies, and 100% foreign-owned financial leasing companies are types of general finance companies and specialized finance companies in accordance with the provisions of this Law.

41. *Non-bank credit institution means* a credit institution that may conduct one or several banking operations in accordance with this Law, except for receiving deposits from individuals and providing payment services through clients' accounts. Types of non-bank credit institutions include general finance companies and specialized finance companies.

42. *Charter capital means* the total amount contributed by owners and capital-contributing members of a credit institution that is a limited liability company; is the total par value of shares of a credit institution being a joint-stock company sold to shareholders; means the total amount of capital contributed by a member of a credit institution that is a cooperative, and the State support to the cooperative bank.

43. *Allocated capital of a foreign bank branch means* the amount of money allocated by a foreign bank to a foreign bank branch .

44. *Legal capital means* the minimum capital required by law for the establishment of credit institutions and foreign bank branches.

45. *Own capital includes* the real value of the charter capital of a credit institution or the allocated capital of a foreign bank branch, and a number of reserve funds, and a number of other liabilities, except for deductible amounts. The determination of own capital shall comply with regulations of the Governor of the State Bank.

Article 5. *Use of words related to banking operations*

Organizations that are not credit institutions or foreign bank branches are not allowed to use the phrases "credit institution", "bank", "financial company", "financial leasing company", "microfinance institution", "people's credit fund" or other phrases and words in the name of the organization, title or in appendages to the name, title or in the transaction documents or advertisements of the organisation if the use of such phrase or wording may cause confusion to the client about the fact that the organization is a credit institution or a foreign bank branch.

Article 6. *Legal form of a credit institution*

1. Domestic commercial banks shall be established and organized in the form of joint-stock companies, except for the case specified in Clause 2 of this article and the case of implementation of the approved compulsory transfer plan.
2. State commercial banks shall be established and organized in the form of single member limited liability companies in which the State holds 100% of charter capital.
3. Domestic non-bank credit institutions shall be established and organized in the form of joint-stock companies or limited liability companies.
4. Joint-venture credit institutions and credit institutions with 100% foreign capital shall be established or organized in the form of limited liability companies.
5. Cooperative banks and people's credit funds shall be established and organized in the form of cooperatives.
6. Microfinance institutions shall be established and organized in the form of limited liability companies.

Article 7. *Autonomy in business operations*

1. Credit institutions and foreign bank branches shall have autonomy in business operations and take responsibility for their business operation results.
2. Credit institutions and foreign bank branches shall have the right to refuse requests for credit extensions or provision of other services if they deem them unqualified, ineffective or inconsistent with the provisions of the law.

Article 8. *Right to operate a bank*

Organizations that satisfy all conditions prescribed by this Law and other relevant laws licensed by the State Bank may carry out one or several banking operations in accordance with this Law.

Article 9. *Cooperation and competition in banking operations*

Credit institutions and foreign bank branches may cooperate and compete in banking and other business operations in accordance with this Law and other relevant laws.

Article 10. *Responsibilities of credit institutions and foreign bank branches in protecting the interests of clients*

1. To participate in the organisation of deposit insurance and funds to ensure the safety of the people's credit fund system in accordance with the law and publicly announce participation in deposit insurance at head offices and branches.
2. To facilitate clients' deposits and withdrawals, ensure full and timely payment of principal and interest on deposits as agreed upon in accordance with the provisions of the law.

3. To refuse the investigation, blockade, detention or deduction of clients' deposits, unless requested by competent state agencies as prescribed by law or approved by clients.

4. To publicly announce deposit interest rates, service charges, rights and obligations of clients for each type of the products and services being supplied.

5. To publicly announce official trading times. In case of cessation of transaction at one or several transaction execution locations during the official trading hours or cessation of transaction by electronic means, at least 24 hours before the time of cessation of transaction, the credit institution or foreign bank branch must post information on the transaction cessation at the transaction location or on the website of the transaction credit institutions and foreign bank branches.

In case of cessation of transactions due to force majeure events, at least 24 hours after the time of the cessation of transactions, the credit institution or foreign bank branch must post information on the transaction cessation at the transaction location or on the website of the credit institution or foreign bank branch.

Article 11. *The legal representative of the credit institution*

1. The legal representative of a credit institution is specified in the charter of the credit institution and must be **one of the following persons**:

a) The chairman of the board of management or the chairman of the members' council of the credit institution;

b) The general director (director) of the credit institution.

2. The legal representative of a credit institution must reside in Vietnam, in case of absence from Vietnam, another person must be authorized in writing to be the manager or operator of the credit institution, residing in Vietnam, to exercise the rights and perform the obligations of the legal representative of the credit institution.

3. A credit institution must notify the State Bank of the legal representative of the credit institution within 10 days from the date of election or appointment of the title of legal representative as prescribed in the credit institution's charter or change of legal representative. The State Bank shall notify the legal representative of the credit institution to the business registration agency to update the national information system on enterprise and cooperative registration.

Article 12. *Providing information*

1. Credit institutions and foreign bank branches shall provide account holders with information on transactions and balances on account holders as agreed upon with account holders.

2. Credit institutions and foreign bank branches shall report to the State Bank information related to business operations and be provided with information by the State Bank of clients having credit relations with credit institutions and foreign bank branches according to regulations of the Governor of the State Bank.

3. Credit institutions and foreign bank branches may exchange information on operations of credit institutions and foreign bank branches.

4. When conducting transactions with credit institutions and foreign bank branches, clients shall provide truthful, accurate, complete and timely information, documents and data and shall be responsible for the provision of such information, documents and data.

Article 13. *Information security*

1. Managers, executives and employees of credit institutions and foreign bank branches may not disclose client information and business secrets of credit institutions or foreign bank branches.
2. Credit institutions and foreign bank branches must ensure the confidentiality of client information of credit institutions and foreign bank branches in accordance with the Government's regulations.
3. Credit institutions and foreign bank branches may not provide client information of credit institutions or foreign bank branches to other organizations or individuals, unless requested by competent state agencies as prescribed by law or approved by clients.

Article 14. *Data security and operational continuity*

Credit institutions and foreign bank branches must ensure information system safety, data confidentiality and continuous operation in accordance with regulations of the Governor of the State Bank and other relevant laws.

Article 15. *Prohibited acts*

1. Credit institutions and foreign bank branches which conduct banking operations or business operations other than those stated in licenses granted by the State Bank to credit institutions and foreign bank branches.
2. Organizations and individuals other than credit institutions or foreign bank branches which conduct banking operations, except for margin transactions, securities purchase and resale transactions of securities companies.
3. Organizations and individuals which illegally interfere in banking operations and other business operations of credit institutions and foreign bank branches.
4. Credit institutions and foreign bank branches that commit acts of restricting competition or acts of unfair competition that threaten to harm or harm the implementation of the national monetary policy and safety of the credit institution system, interests of the State, legitimate rights and interests of organizations and individuals.
5. Credit institutions, foreign bank branches, managers, executives and employees of credit institutions and foreign bank branches associate the sale of non-obligatory insurance products with the provision of banking products and services in any form.

Chapter II

POLICY BANKS

Article 16. *Establishment, operation and state management of policy banks*

1. Policy banks shall be established by the Prime Minister and operate not for profit purposes in order to implement the State's socio-economic policies.
2. The Government shall prescribe the operation contents of policy banks.
3. The Prime Minister and ministries and ministerial-level agencies shall perform the function of state management according to their authority over the operation of policy banks.

Article 17. *Owners and representatives of state owners of policy banks*

1. The State shall be the owner of the policy bank. The Government shall uniformly manage the performance of duties and powers of state owners over policy banks.

2. The board of management shall be the direct representative agency of the state owner at the policy bank, performing the duties and powers of the state owner according to the Government's regulations.

Article 18. *Charter capital of the policy bank*

The charter capital of the policy bank shall be allocated by the state budget and supplemented from the state budget and other lawful financial sources.

Article 19. *Organizational and management structure of the policy bank*

1. The organizational and management structure of a policy bank shall include the board of management, the board of controllers, the General Director and other governance structures as prescribed by the Government.

2. Policy banks may establish branches, trading offices, transaction offices and other affiliated units in accordance with the law.

Article 20. *Board of management of Policy Bank*

1. The board of management shall consist of the chairman and other members.

2. The term of office of a member of the board of management shall not exceed five (5) years.

3. The chairman of the Management Council shall be appointed or dismissed by the Prime Minister.

4. The number, appointment and dismissal of members of the board of management; the structure, duties and powers of the board of management shall be prescribed by the Government.

5. The board of management shall have a support department. The functions and duties of the support department shall be prescribed by the board of management.

Article 21. *Board of Controllers of the Policy Bank*

1. The board of controllers shall consist of the head of the board and other members.

2. The term of office of a member of the board of controllers shall not exceed five (5) years.

3. The number, appointment and dismissal of members of the board of controllers; the structure, duties and powers of the board of controllers shall be prescribed by the Government.

4. The board of controllers has an internal audit department, which may use the resources of the policy bank to perform its duties.

Article 22. *General Manager of the policy bank*

1. The general director is the legal representative who manages the daily operations of the policy bank.

2. The term of office of the General Director shall not exceed five (5) years.

3. The general director shall be appointed or dismissed by the Prime Minister.

4. The appointment, dismissal, rights and obligations of the General Director shall be prescribed by the Government.

Article 23. *Ensuring the operation of policy banks*

1. Policy banks shall be guaranteed solvency by the State; be granted compensation for interest rate differences and management fees; be exempt from paying taxes and other state budget payments in accordance with the law.
2. Policy banks are not required to exercise compulsory reserves or participate in deposit insurance.

Article 24. *Internal control, internal audit, policy bank reporting*

1. Policy banks must exercise internal control and internal audit; develop and promulgate internal processes on professional activities.
2. Policy banks shall implement the regime of statistical reporting and operation reporting in accordance with the provisions of the law.

Article 25. *Settlement of bad debts and collateral of bad debts of policy banks*

Policy banks may apply the provisions of this Law to handle bad debts and the collateral of bad debts of policy banks.

Article 26. *Financial mechanisms, wages, reorganization, dissolution, examination, inspection and supervision of policy banks*

Financial mechanisms, wages, reorganization, dissolution, examination, inspection and supervision of policy banks and other contents related to policy banks shall comply with the provisions of this Chapter and the Government's regulations.

Chapter III

LICENSE

Article 27. *Authority to issue, modify, supplement and revoke licenses*

1. The State Bank shall have the authority to issue, amend, supplement and revoke licenses in accordance with this Law.
2. The establishment and operation license of a credit institution is concurrently the enterprise registration certificate or the cooperative registration certificate.
3. A license for establishment of a foreign bank branch, a license for establishment of a foreign representative office, concurrently a certificate of operation registration of a foreign bank branch and a certificate of operation registration of a foreign representative office.
4. The Governor of the State Bank shall prescribe the notification of information on the issue, amendment, supplementation and revocation of licenses; information on the appointment of the general director (director) of a foreign bank branch, the head of a foreign representative office and relevant information to the business registration authority for updating into the national information system on enterprise and cooperative registration.

Article 28. *Legal capital*

1. The Government shall prescribe the level of legal capital of each type of credit institution and foreign bank branch.
2. Credit institutions and foreign bank branches must maintain the real value of their charter capital or allocated capital at least equal to the legal capital.

3. The real value of the charter capital or allocated capital shall be determined by the charter capital or allocated capital and the surplus of share capital, plus undistributed accumulated profits, excluding unprocessed accumulated losses reflected in the accounting books.

4. The Governor of the State Bank shall stipulate the handling of cases where the real value of the charter capital of a credit institution or the allocated capital of a foreign bank branch falls below the legal capital level.

Article 29. *Conditions for Issuance of a License*

1. A credit institution shall be issued a license when it fully satisfies the following conditions:

a) Have charter capital at least equal to the legal capital;

b) The owner of the credit institution is a single member limited liability company, the founding shareholders and founding members are legal entities operating lawfully and have sufficient financial capacity to contribute capital; the founding shareholders and founding members are individuals with full civil act capacity and a commitment of sufficient financial capacity to contribute capital;

c) Managers, executives and members of the board of controllers fully meet the criteria and conditions specified in article 41 of this Law;

d) The charter conforms with the provisions of this Law and other relevant laws;

dd) The establishment scheme and feasible business plan ensure that it does not affect the safety and stability of the credit institution system, and does not create a monopoly or restrict competition or unfair competition in the credit institution system.

2. A joint-venture credit institution or a credit institution with 100% foreign capital shall be issued a license when it fully satisfies the following conditions:

a) The conditions specified in Clause 1 of this article;

b) The foreign credit institution shall be permitted to conduct banking operations in accordance with the laws of the country where the foreign credit institution's head office is located;

c) The operations expected to be carried out in Vietnam must be operations that the foreign credit institution is currently permitted to carry out in the country where the foreign credit institution's head office is located;

d) The foreign credit institution satisfies the conditions on total assets and financial situation as prescribed by the Governor of the State Bank, satisfies regulations on ensuring operation safety according to regulations of the country where the foreign credit institution's head office is located;

dd) The foreign credit institution must make a written commitment to provide financial, technological, administrative, executive and operational support to the joint-venture credit institution or a credit institution with 100% foreign capital; ensure that this credit institution maintains the real value of its charter capital at not lower than the legal capital level and implements regulations on restrictions to ensure safety in operation in accordance with this Law;

f) The competent authority of the country where the foreign credit institution's head office is located has signed an agreement with the State Bank on inspection and supervision of banking operations, exchange of banking safety supervision information and has a written commitment to consolidate

supervision in accordance with international practices for the operation of the foreign credit institution.

3. A foreign bank branch shall be issued a license when it fully satisfies the following conditions:

- a) Has capital allocated at a level at least equal to the legal capital;
- b) The conditions specified at Points b, c and dd, Clause 1 and Points b, c, d and e, Clause 2 of this article;
- c) The foreign bank must provide a written guarantee to take responsibility for all obligations and commitments of the foreign bank branch in Vietnam; ensure that the actual value of the allocated capital is not lower than the legal capital level and comply with the regulations on restrictions to ensure safety in operation in accordance with the provisions of this Law;
- d) For an application to establish a second or additional foreign bank branch in Vietnam, the foreign bank must ensure that its foreign bank branches which have operating in Vietnam have not violated the provisions of the law, have maintained prudential safety ratios and have had profitable business results for the three (3) years preceding the year of application for the establishment of a new branch.

4. A foreign representative office shall be issued a license when it fully satisfies the following conditions:

- a) Foreign credit institutions and other foreign organizations engaged in banking operations are legal entities licensed to conduct banking operations abroad;
- b) The laws of the countries where foreign credit institutions and other foreign organizations engaged in banking operations have their head offices permit foreign credit institutions and other foreign organizations engaged in banking operations to establish representative offices in Vietnam.

5. Conditions for owners of credit institutions being single member limited liability companies, founding shareholders and founding members specified at Point b, Clause 1 of this article and conditions for issuing licenses to people's credit funds and microfinance institutions shall be stipulated by the Government.

Article 30. *Documents and procedures for issuing licenses*

The Governor of the State Bank shall prescribe documents and procedures for the issuance of first time licenses and the renewal of licenses.

Article 31. *License Term*

- 1. Within 180 days from the date of receipt of a complete and valid application, the State Bank shall issue a license or refuse to issue an establishment and operation license of a credit institution or a license for establishment of a foreign bank branch .
- 2. Within 60 days from the date of receipt of a complete and valid application, the State Bank shall issue a license or refuse to issue a license for establishment of a foreign representative office.
- 3. In case of refusal to issue a license, the State Bank shall issue a written notice clearly stating the reason.

Article 32. *License Fee*

Credit institutions, foreign bank branches and foreign representative offices that are issued licenses for the first time or renewed licenses shall pay license issuance fees in accordance with the provisions of law on fees and charges.

Article 33. *Publication of information on the opening of operations*

Credit institutions, foreign bank branches, or representative offices of foreign credit institutions and of other foreign organizations conducting a banking operation must, at least thirty (30) days before the expected date of commencement of their operation, publish the following information on the information media of the State Bank and in three consecutive issues of a daily newspaper of Vietnam or on an electronic newspaper of Vietnam:

1. Name and address of the head office of the credit institution, foreign bank branch or representative office of the foreign credit institution or other foreign organization conducting a banking operation;
2. The number and date of issue of the license;
3. The charter capital of the credit institution or the allocated capital of the foreign bank branch;
4. The legal representative of a credit institution, the general director (director) of the foreign bank branch, and the head of a representative office of the foreign credit institution;
5. The list and percentage of share ownership and corresponding capital contribution of founding shareholders or capital-contributing members or owners of credit institutions;
6. The estimated date of the opening of the operations.

Article 34. *Conditions for commencement of operations*

1. Credit institutions, foreign bank branches and foreign representative offices issued licenses may only conduct their operations from the commencement date of operation.
2. In order to commence operations, a licensed credit institution or foreign bank branch must fully satisfy the following conditions:
 - a) Have registered the charter of the credit institution approved by a competent authority with the State Bank;
 - b) Have sufficient charter capital or issued capital; have qualified vaults and offices as prescribed by the Governor of the State Bank;
 - c) Have a management organizational structure, internal control and internal audit system suitable to the type of operation as prescribed by this Law and other relevant laws;
 - d) Have an information technology system that meets management requirements and operation scale;
 - dd) Have internal regulations on the organization and operation of the board of management, the members' council, the board of controllers, the general director (director), professional departments and boards at the head office; and internal regulation of risk management and regulations on the management of operational networks;
 - e) Have charter capital and issued capital in Vietnamese Dong fully deposited into a non-interest-bearing blocked account opened at the State Bank at least 30 days before the operation

commencement date. Charter capital and allocated capital shall be released when the credit institution or foreign bank branch has commenced its operation;

g) Announce information on the commencement of the operation as prescribed in article 33 of this Law.

3. Credit institutions, foreign bank branches and foreign representative offices must open their operations within 12 months from the date of issuance of licenses, except in cases of force majeure events; After this time period without the commencement of operations, the issued license shall expire. The State Bank shall announce the expired license on the State Bank's Web Portal.

4. Licensed credit institutions and foreign bank branches shall notify the State Bank of the conditions for the commencement of operation specified in Clause 2 of this article at least 15 days before the expected date of commencement of operations. The State Bank shall suspend the commencement of operations when credit institutions and foreign bank branches fail to meet the conditions specified in Clause 2 of this article.

Article 35. *Use of License*

1. Credit institutions, foreign bank branches and foreign representative offices issued licenses must use the correct name and operate in accordance with the contents specified in their licenses.

2. Credit institutions, foreign bank branches and foreign representative offices issued licenses may not erase, repair, buy, sell, transfer, lease or lend licenses.

Article 36. *Revocation of License*

1. The State Bank shall revoke an issued license in the following cases:

a) The application file for a license contained fraudulent information in order to satisfy the conditions for issuance of a license;

b) The credit institution is divided, demerged, merged, consolidated, dissolved, becomes bankrupt or converts its legal form;

c) The credit institution, foreign bank branch, and representative office of a foreign credit institution and other foreign organization whose banking operation is not in accordance with the items prescribed in the licence;

d) The credit institution or foreign bank branch commits a serious breach of the provisions of the law on compulsory reserves and prudential ratios during operation;

dd) The credit institution or foreign bank branch fails to implement or inadequately implements the decisions of the State Bank to ensure safety in banking operations;

e) Foreign credit institutions and other foreign organizations engaged in banking operations with a commercial presence in Vietnam are dissolved, go bankrupt or have their licenses revoked or suspended from operation by competent agencies of the countries where their head offices are located.

2. The decision on the revocation of a license shall be announced by the State Bank on the State Bank's portal.

3. Credit institutions and foreign bank branches whose licenses are revoked must terminate their business operations from the effective date of the State Bank's decision on license revocation.

4. The Governor of the State Bank shall prescribe dossiers and procedures for license revocation.

Article 37. *Changes for which State Bank approval must be obtained*

1. Credit institutions and foreign bank branches must obtain written approval from the State Bank before carrying out procedures for changing one of the following items:

- a) Name or location of the head office of the credit institution; name or location of the head office of the foreign bank branch;
- b) The level of charter capital, the level of funded capital, except for the case specified in Clause 3 of this article;
- c) The location of the branch office of the credit institution;
- d) Contents and duration of operation;
- dd) Purchase, sale or transfer of the capital contribution portion of the owner; purchase, sale or transfer of the capital contribution portion of capital contributors; or purchase and sale or transfer of shares resulting in a major shareholder becoming an ordinary shareholder and vice versa. Owners, capital contributors, shareholders, purchasers, transferees of shares and contributed capital of credit institutions shall coordinate with credit institutions before carrying out the activities specified at this point;

In the case of the purchase, sale, receipt of transfer or transfer of contributed capital of a credit institution being a single member limited liability company, the purchaser or transferee must satisfy the conditions for owners and capital contributors as prescribed Point b, Clause 1, Clause 2, article 29 and Clause 2, article 78 of this Law; capital contributors must comply with the provisions of Clause 1, article 77 of this Law;

e) Suspension of transactions for five (5) working days or more, except for the case of suspension of transactions due to force majeure events;

g) Listing shares on foreign stock markets.

2. Documents and procedures for approval of changes specified in Clause 1 of this article and amendments and supplements to licenses shall comply with regulations of the Governor of the State Bank.

3. The change of operation geographical area of the people's credit fund; the change of charter capital level, transfer of capital contribution of capital contributors of cooperative bank and people's credit fund shall comply with regulations of the Governor of the State Bank.

4. Upon approval to change the contents specified in Clause 1 of this article, a credit institution or a foreign bank branch shall have to carry out the following procedures:

a) To amend and supplement the charter of a credit institution in accordance with the approved changes specified at Points a, b, d and dd, Clause 1 of this article;

b) Announce the changes specified at Points a, b, c and d, Clause 1 of this article within seven (7) working days from the date of approval by the State Bank on one (1) media of the State Bank and one (1) newspaper printed in three (3) consecutive issues or on one (1) e-newspaper of Vietnam.

Chapter IV

ORGANIZATION, MANAGEMENT AND EXECUTIVE OPERATION OF CREDIT INSTITUTIONS AND FOREIGN BANK BRANCHES

Section 1. GENERAL PROVISIONS

Article 38. *Branches, representative offices, professional entities, commercial presence of credit institutions*

1. After obtaining written approval of the State Bank, a credit institution may establish branches, representative offices and professional entities in the country; and establish and convert legal entities and commercial presences abroad, including branches, representative offices and other forms of commercial presence abroad.
2. The Governor of the State Bank shall prescribe conditions, documents and procedures for establishment and conversion of legal entities, dissolution or termination of the operation of units specified in Clause 1 of this article for each type of credit institution.
3. Written approval for the establishment of a domestic branch or representative office of a credit institution is concurrently the certificate of operation registration of the branch or representative office.
4. The Governor of the State Bank shall stipulate the notification of information on establishment, dissolution and termination of operations of branches and representative offices in the country and related information to the business registration agency for updating in the national information system on business and cooperative registration.

Article 39. *Charter of a credit institution*

1. The charter of a credit institution being a joint-stock company or a limited liability company must contain the following principal contents:
 - a) Name and location of head office;
 - b) Scope of operation;
 - c) Operation duration;
 - d) Charter capital, capital contribution method, increase or decrease of charter capital;
 - dd) Duties and powers of the general meeting of shareholders, the board of management, the members' council, the board of controllers and the rights and obligations of the general director (director);
 - e) Procedures for election, appointment and dismissal of members of the board of management, members of the members' council, members of the board of controllers and general director (director);
 - g) Name, head office address, nationality of the owner or capital-contributing members, for a credit institution that is a limited liability company;
 - h) Rights and obligations of owners and capital-contributing members for credit institutions that are limited liability companies; rights and obligations of shareholders towards credit institutions that are joint-stock companies;
 - i) The legal representative;
 - k) Principles of finance, accounting, control and internal audit;

- l) Procedures for approval of decisions of credit institutions; principles of internal dispute resolution;
- m) Bases and methods for determining remuneration, salary and bonus for managers, executives and members of the board of controllers;
- n) Circumstances and procedures in which the credit institution will be dissolved;
- o) Procedures for amending and supplementing the Charter.

2. The charter of a cooperative bank or people's credit fund must contain the following principal contents:

- a) Contents specified at Points a, b, c, d, e, i, k, l, m, n and o, Clause 1 of this article;
- b) Duties and powers of the general meeting of members, the board of management, the board of controllers, rights and obligations of the general director (director);
- c) Circumstances of termination and procedures for termination of membership;
- d) Rights and obligations of members;
- dd) Procedures for conducting the members' council and approving decisions of the members' council, methods of electing delegates to attend and vote at the members' council in case the members' council is held in the form of a delegates' council;
- e) Principles of interest distribution according to the level of service use, and the percentage of capital contribution of members;
- g) Financial management, use and disposal of assets, capital, funds and losses.

3. The charter and contents amending and supplementing the charter of a credit institution must be sent to the State Bank within 15 days from the date of adoption.

Article 40. *Organizational and management structure of a credit institution*

- 1. The organizational and management structure of a credit institution established in the form of a joint-stock company shall include the general meeting of shareholders, the board of management, the board of controllers and the general director (director).
- 2. The organizational and management structure of a credit institution established in the form of a single member limited liability company, a limited liability company with two or more members, shall include the members' council, the board of controllers and the general director (director).
- 3. The organizational and management structure of cooperative bank and people's credit fund shall comply with the provisions of article 82 of this Law.

Article 41. *Standards and conditions for managers, executives and some other positions of credit institutions*

- 1. members of the board of management and members of the members' council must fully meet the following criteria and conditions:
 - a) Not falling into a case of being unable to hold the position specified in Clause 1, article 42 of this Law;
 - b) Have professional ethics as prescribed by the Governor of the State Bank;
 - c) Have a university degree or higher;

d) Have one of the following conditions: Possess at least three (3) years of experience as a manager or operator of a credit institution; Possess at least five (5) years of experience as a manager of an enterprise operating in the financial, accounting, auditing industry or other enterprises with equity capital at least equal to the legal capital level for the corresponding type of credit institution; have at least five (5) years of experience working directly in the professional department of a credit institution or a branch of a foreign bank; have at least five (5) years of experience working directly in a professional department of finance, banking, accounting, or auditing.

2. Independent members of the board of management must fully meet the criteria and conditions specified in Clause 1 of this article and the following criteria and conditions:

a) Not be a person who is working for a credit institution or a subsidiary of that credit institution or has worked for a credit institution or its subsidiary in the preceding three (3) years;

b) Not be a regular salary or remuneration recipient of such credit institution, in addition to the remuneration of members of the Managing Board;

c) There are no spouses, fathers, mothers, children, brothers, sisters, or spouse of persons of members of the board of management who are major shareholders of such credit institution, a manager or controller or member of the board of controllers of such credit institution or a subsidiary of such credit institution;

d) Not represent the share ownership of such credit institution; does not jointly with related persons, directly or indirectly own 1% or more of the charter capital or voting share capital of such credit institution;

dd) Not be a manager or member of the board of controllers of that credit institution at any time in the preceding five (5) years.

3. A member of the board of controllers must fully meet the following criteria and conditions:

a) Standards and conditions specified at Points a and b, Clause 1 of this article;

b) Have a university degree or higher in one of the fields of finance, banking, economics, business administration, law, accounting and auditing;

c) Have at least three (3) years working directly in the fields of finance, banking, accounting and auditing;

d) Not be a related person of the manager of such credit institution;

dd) The head of the board of controllers must reside in Vietnam during the term of office.

4. The general director (director) must fully meet the following criteria and conditions:

a) Standards and conditions specified at Points a and b, Clause 1 of this article;

b) Have a university degree or higher in one of the fields of finance, banking, economics, business administration, law, accounting and auditing;

c) Have one of the following conditions: Have at least five (5) years of experience as an executive of a credit institution; have at least five (5) years of experience as general director (director), deputy general director (director) of an enterprise with equity capital at least equal to the legal capital level for the corresponding type of credit institution and have at least five (5) years of experience directly

working in the fields of finance, banking, accounting, and auditing; have at least 10 years of experience working directly in the field of finance, banking, accounting and auditing;

d) Reside in Vietnam during the term of office.

5. The deputy general director (director), Chief Accountant, Branch Director, general director (director) of subsidiary companies and equivalent positions as prescribed in the charter of a credit institution must fully meet the following criteria and conditions:

a) Not fall into a case of being unable to hold the position specified in Clause 2, article 42 of this Law; for the deputy general director (director) must be in the case of being permitted to hold the position specified in Clause 1, article 42 of this Law;

b) Have one of the following conditions: Have a university degree or higher in one of the majors of finance, banking, economics, business administration, law, accounting, auditing or another discipline in the professional field that they will undertake; Have a university degree or higher in another field and have at least three (3) years of direct work experience in the field of finance, banking or a professional field that they will undertake;

c) Residing in Vietnam during the term of office;

d) The chief accountant must also meet the standards and conditions prescribed by the law on accounting.

6. The Governor of the State Bank shall prescribe standards and conditions for managers, executives and members of the board of controllers of cooperative banks, people's credit funds and microfinance institutions.

Article 42. *Cases of not being able to hold office*

1. The following persons must not be members of the Managing Board, members of the members' council, members of the board of controllers, general director (director), deputy general director (deputy director) and equivalent positions as prescribed in the charter of a credit institution:

a) Persons specified in Clause 2 of this article;

b) Persons who are not allowed to participate in the management and administration of enterprises or cooperatives in accordance with the law on State officers, civil servants and public employees and the law on anti-corruption;

c) Persons who have been owners of private enterprises, general partners of partnerships, general directors (directors), members of the board of management or members' council or members of the board of controllers of the enterprise, the chairman and members of the Cooperative Management Board at the time when such enterprise or cooperative is declared bankrupt, except for cases where such persons are appointed to participate in the management, administration and control of the enterprise or cooperative being a credit institution that is declared bankrupt according to the requirements of their duties;

d) Persons who have been suspended from the title of chairman or other members of the board of management; chairman, other members of the members' council; Heads of committees and other members of the board of controllers; The general director (director) of a credit institution as prescribed in article 47 of this Law or whose violation is determined by a competent agency to have led to the credit institution's license being revoked;

dd) Related persons of members of the Managing Board, members of the members' council, general director (director) of such credit institution, except for the cases specified in Clause 3, article 69, Point b, Clause 1, article 73 and Point a, Clause 2, article 77 of this Law;

e) Related persons of members of the board of controllers and deputy directors of such people's credit fund;

g) Persons responsible according to inspection conclusions resulting in credit institutions and foreign bank branches being sanctioned for administrative violations in the monetary and banking sectors at the highest brackets of fine for violations of license regulations, governance, administration, shares, share certificates, capital contribution, share purchase, credit issue, corporate bond purchase, the prudential ratio in accordance with the law on dealing with administrative violations in the field of currency and banking.

2. The following persons must not be the Chief Accountant, Branch Director or general director (director) of a subsidiary of a credit institution:

a) People who are minors; people who have restricted capacity for, or who have lost capacity for civil acts;

b) People currently subject to or are being examined for criminal prosecution, currently serving administrative handling measures at compulsory detoxification establishments or compulsory education institutions; are prohibited by the Court from holding office, practicing certain professions or doing certain jobs;

c) People who were once convicted of a crime from the serious level upwards;

d) People who were once convicted of a crime of infringement of ownership and the conviction has not been removed from the record;

dd) State employees and officials, and managers at the departmental level or higher in enterprises in which the State holds 50% or more of the charter capital, except for those who are appointed as representatives to manage the State's contributed capital, or of enterprises in which the State holds 50% or more of the charter capital at the credit institution or is appointed to participate in the management, administration and control of credit institutions according to task requirements;

e) Professional officers, non-commissioned officers, professional soldiers, and defence workers in agencies and units under the Vietnamese People's Army; professional officers and non-commissioned officers in bodies and units under the Vietnamese People's Public Security, except those appointed as representatives to manage the capital contribution of the State and enterprises in which the State holds 50% or more of charter capital of credit institutions;

g) Other cases as prescribed in the charter of the credit institution.

3. Parents, spouses, children, and siblings of members of the board of management, members of the members' council, general director (director) and spouses of these persons must not be chief accountants or financial persons of credit institutions.

Article 43. *Cases where people are not permitted to hold concurrent positions*

1. The chairman of the board of management and the chairman of the members' council of a credit institution may not concurrently be executives, members of the board of controllers of such credit institution and other credit institutions or managers of other enterprises, unless the chairman of the

Managing Board of the people's credit fund is concurrently a member of the board of management or a member of the board of controllers of the cooperative bank.

2. **members of the board of management are not independent members**; a member of the members' council of a credit institution may not concurrently hold one of the following positions:

a) The executive of such credit institution, except for the case of being the general director (director) of that credit institution;

b) Managers, operators of other credit institutions or managers of other enterprises, except for the case of being managers or operators of subsidiaries of such credit institution or of the parent company of such credit institution or in case of implementation of an approved compulsory transfer plan;

c) Controllers, members of the board of controllers of other credit institutions and other enterprises.

3. An independent member of the board of management of a credit institution may not concurrently hold one of the following positions:

a) The executive of such credit institution;

b) Managers and operators of other credit institutions; managers of two (2) other enterprises;

c) Controllers, members of the board of controllers of other credit institutions and other enterprises.

4. A member of the board of controllers of a credit institution may not concurrently hold one of the following positions, except for managers, executives and employees of a credit institution receiving compulsory transfer under the approved compulsory transfer plan:

a) Managers, operators of such credit institutions, other credit institutions and other enterprises; employees of that credit institution or its subsidiaries;

b) Employees of an enterprise in which a member of the board of management or a member of the members' council of a credit institution is a member of the board of management, an executive or a major shareholder of that enterprise.

5. **The general director (director), deputy general director (deputy director) and equivalent positions as prescribed in the charter of a credit institution must not concurrently be managers, executives, controllers, members of the board of controllers of other credit institutions or other enterprises**, except for cases where the deputy general director (deputy director) and equivalent positions as prescribed in the charter of a credit institution are managers and operators of subsidiaries of that credit institution or of the parent company of that credit institution.

Article 44. *Approval of the tentative list of persons elected or appointed as members of the board of management, members of the members' council, members of the board of controllers, general director (director) of the credit institution*

1. The tentative list of persons elected or appointed as members of the board of management, members of the members' council, members of the board of controllers, general director (director) of a credit institution, as well as chairman of the board of management and head of the board of controllers of cooperative bank and people's credit fund must be approved in writing by the State Bank before election or appointment of persons to these positions. Persons elected or appointed as members of the board of management, members of the members' council, members of the board of controllers, general director (director) of the credit institution; acting as chairman of the

board of management and Head of the board of controllers of a cooperative bank or people's credit fund must be on the list approved by the State Bank.

2. The Governor of the State Bank shall prescribe documents and procedures for approval of the tentative list of persons elected or appointed to positions specified in Clause 1 of this article.

3. A credit institution must notify the State Bank of the list of persons elected or appointed to positions specified in Clause 1 of this article within 10 days from the date of election or appointment.

Article 45. *Cases of automatic disqualification*

1. The following cases shall automatically result in loss of membership of the Managing Board, membership of the members' council, membership of the board of controllers, general director (director) position of a credit institution:

- a) Being in one of the cases of not being permitted to hold the position specified in article 42 of this Law;
- b) Being a representative of the capital contribution portion of an organization being a shareholder or capital contributing member of the credit institution when the legal entity status of such organization is terminated;
- c) No longer being the representative of the contributed capital as authorized by the shareholder, the capital-contributing member being an organization;
- d) Being expelled from the territory of the Socialist Republic of Vietnam;
- dd) When such credit institution has its license revoked;
- e) When the lease contract for the general director (director) expires;
- g) No longer being a member of such a cooperative bank or people's credit fund;
- h) Death.

2. The board of management and the members' council of a credit institution must make a written report together with documents proving the fact that the subjects concerned have automatically lost their status as prescribed at Points a, b, c, d, e, g and h, Clause 1 of this article to the State Bank within five (5) working days from the date on which the employee automatically loses his or her status, and take responsibility for the accuracy and truthfulness of this report; and shall carry out procedures for election and appointment of vacant positions in accordance with the law.

3. After automatically losing their status, members of the board of management, members of the members' council, members of the board of controllers and the general director (director) of a credit institution shall remain liable for their decisions made during the term of office.

Article 46. *Removal and dismissal*

1. Except for cases of automatic loss of status specified in article 45 of this Law, the chairman and other members of the board of management; chairman, other members of the members' council; Heads of committees and other members of the board of controllers; the general director (director) of a credit institution shall be removed or dismissed in one of the following cases:

- a) When their letter of resignation is sent to the Managing Board, the members' council and the board of controllers of the credit institution;

- b) When not participating in the operation of the board of management, the members' council and the board of controllers for six (6) consecutive months, except in case of force majeure;
- c) When they fail to satisfy the standards and conditions specified in article 41 of this Law;
- d) When independent members of the board of management fail to meet the provisions of Clause 2, article 41 and Clause 3, article 43 of this Law;
- dd) In case of removal or other dismissal according to the charter of the credit institution.

2. After being removed or dismissed, the chairman and other members of the board of management; chairman, other members of the members' council; Heads of committees and other members of the board of controllers; The general director (director) of the credit institution shall remain responsible for their decisions during their term of office.

3. Within 10 days from the date of approval of the decision on removal or dismissal of personnel as prescribed in Clause 1 of this article, the board of management and the members' council of a credit institution must submit a written statement enclosing relevant documents to the State Bank.

Article 47. *To suspend or temporarily suspend the exercise of rights and obligations of members of the board of management, the members' council, the Board of Controllers and the operator of a credit institution*

1. The State Bank has the right to suspend or temporarily suspend the exercise of the rights and obligations of the chairman, members of the board of management, the members' council, the Head of and members of the board of controllers and the executives of a credit institution who are in breach of the provisions of article 43, Clause 10 of this Law or other relevant provisions of law in the course of exercising assigned rights and obligations or fail to satisfy the standards and conditions specified in article 41 of this Law; and may request the competent authority to remove, dismiss, elect, appoint a replacement or appoint a replacement if it deems it necessary.

2. The special controlling board has the right to suspend or temporarily suspend the exercise of rights and obligations of the chairman and other members of the board of management; chairman, other members of the members' council; Heads of committees and other members of the board of controllers; or by executives of the credit institution placed under special control if deemed necessary by the special Controlling Board.

3. Persons who are suspended or temporarily suspended from exercising their rights and obligations as prescribed in Clauses 1 and 2 of this article must participate in dealing with outstanding matters and breaches related to personal liability at the request of the State Bank, the board of management, The members' council, the board of controllers of the credit institution or the special controlling board.

Article 48. *Rights and obligations of managers and executives of credit institutions*

1. To exercise rights and perform obligations as prescribed by law, the charter of the credit institution, resolutions and decisions of the general meeting of shareholders, the general meeting of members or the owner or capital-contributing member of the credit institution.

2. To exercise rights and perform their obligations honestly and carefully, for the benefit of the credit institution, shareholders, capital contributors and owners of the credit institution.

3. Not to use information, know-how and business opportunities of credit institutions, abuse their positions, use their status, positions and assets for personal gain or to serve the interests of other

organizations or individuals to harm the interests of credit institutions, shareholders, capital-contributing members and owners of credit institutions.

4. To take responsibility for observing restrictive regulations to ensure safety in banking operations of credit institutions in accordance with this Law.

5. To ensure that files of the credit institution are archived in order to provide data for the management, and operation activities, control of all operations of the credit institution, and inspection, supervision and checking activities of the State Bank.

6. To have a thorough knowledge of all types of risks in the operation of the credit institution.

7. To promptly, fully and accurately notify the credit institution of their interests in other organizations, or transactions with other organizations and individuals that may cause conflict with the interests of the credit institution and may only participate in such transactions when approved by the board of management or The members' council.

8. Not to create conditions for themselves or their related persons to borrow capital or use other banking services of a credit institution under preferential and favourable conditions compared to the general regulations of the credit institution.

9. Not to be entitled to an increase in salary, remuneration nor to request bonuses when the credit institution suffers a loss.

10. Within the ambit of assigned rights and obligations, it shall comply with written requests of the State Bank for contents within its authority, implement recommendations, warn of risks and operational safety, warn of risks leading to violations of monetary and banking laws; reach conclusions, provide recommendations and handling decisions on inspection.

11. Other rights and obligations as prescribed by law and the charter of the credit institution.

Article 49. *Provision and public disclosure of information*

1. members of the Managing Board, members of the members' council, members of the board of controllers, the general director (director), the deputy general director (deputy director) and equivalent positions as prescribed in the charter of a credit institution must provide the credit institution with the following information:

a) Name, enterprise identification number, head office address of the enterprise or other economic organization in which they or themselves and related persons in their names own contributed capital or shares of 5% or more of the charter capital, including contributed capital, authorized shares, entrusted to the organization and other individuals in their names;

b) Name, enterprise identification number, head office address of the enterprise or other economic organization of which they and related persons are members of the board of management, members of the members' council, controllers, members of the board of controllers, general director (director);

c) Information about relevant individuals, including: Full name; personal identification number; nationality, passport number, date of and place of issue for foreigners; relationship with the information provider;

d) Information about related persons being organizations, including: Name, enterprise code number, head office address of the enterprise, number of the Business Registration Certificate or equivalent legal papers; legal representative, relationship with the information provider.

2. Shareholders owning 1% or more of the charter capital of a credit institution must provide the credit institution with the following information:

- a) Full name; personal identification number; nationality, passport number, date of issue, place of issue of foreign shareholders; number of the enterprise registration certificate or equivalent legal document of the shareholder being an organization; date of issue, place of issue of this document;
- b) Information about related persons as prescribed at Points c and d, Clause 1 of this article;
- c) The number and percentage of his/her share ownership at that credit institution;
- d) The number and percentage of share ownership of his/her related persons at such credit institution.

3. Subjects specified in Clauses 1 and 2 of this article must provide the required information to the credit institution in writing, for the first time and upon a change in this information, within seven (7) working days from the date of arising or change of information.

For information at Points c and d, Clause 2 of this article, shareholders must only provide information to a credit institution when there is a change in their share ownership ratio, the percentage of their share ownership and related persons from 1% or more of the charter capital of that credit institution compared to the previous provision.

4. A credit institution must post and store the information specified in Clauses 1 and 2 of this article at the head office of the credit institution and send a written report to the State Bank within seven (7) working days from the date on which the credit institution receives the provided information. Annually, a credit institution shall announce the information specified at Points a, b and d, Clause 1 and Points a, c and d, Clause 2 of this article to the general meeting of shareholders, the general meeting of members and the members' council of the credit institution.

5. A credit institution must publicly announce information on the full name of the individual, the name of the organization being a shareholder owning 1% or more of the charter capital of the credit institution and the information specified at Points c and d, Clause 2 of this article on the website of the credit institution within seven (7) working days from the date of organization the credit institution receives the information provided.

6. Subjects providing and publicly announcing information must ensure truthful, accurate, complete and timely provision and public disclosure and shall be responsible for the provision and public disclosure of such information.

Section 2. GENERAL PROVISIONS FOR CREDIT INSTITUTIONS BEING JOINT-STOCK COMPANIES OR LIMITED LIABILITY COMPANIES

Article 50. *Board of management, members' council and structure of the board of management, members' council*

1. The board of management or the members' council are management agencies that have full authority on behalf of a credit institution to make decisions and exercise the rights and obligations of the credit institution, except for matters within the authority of the general meeting of shareholders and owners.

2. Where the board of management or the members' council has less than the minimum number of members as prescribed in Clause 1, article 69 and Point a, Clause 1, article 73 of this Law, within 90 days from the date on which the minimum number of members is not satisfied, the credit

institution must elect additional members, ensure the minimum number of members, except for the case specified in Clause 5, article 166 of this Law.

3. The board of management or the members' council shall use the seal of the credit institution to perform its duties and powers.

4. The board of management or the members' council shall be assisted in its work by having a support department. The functions and duties of the support department shall be prescribed by the board of management or the members' council.

5. The board of management or the members' council must establish committees to assist the board of management or the members' council in performing its duties and powers, including the Risk Management Committee and the Human Resources Committee. The board of management or the members' council shall decide on the duties and powers of these two (2) Committees according to the regulations of the Governor of the State Bank.

Article 51. *Board of controllers*

1. The board of controllers shall supervise and evaluate the observance of laws, internal regulations, the Charter and resolutions and decisions of the general meeting of shareholders, owners, the board of management and the members' council.

2. The board of controllers of a commercial bank shall have at least five (5) members. The board of controllers of another credit institution shall have at least three (3) members. The number of members of the board of controllers shall be prescribed by the charter of the credit institution.

3. The board of controllers shall have an internal audit department and a support department to perform its duties.

4. The term of office of the board of controllers shall not exceed five (5) years. The term of office of a member of the board of controllers shall follow the term of office of the board of controllers, except for the case specified in Clause 5 of this article. The term of office of an additional or replacement member shall be the residual period of the term of office. The board of controllers of a term which has recently expired shall continue to operate until the board of controllers of the new term takes over the work.

5. The term of office of the Head of the board of controllers and other members of the board of controllers at a credit institution being a single member limited liability company is specified in the charter of the credit institution but not exceeding five (5) years.

6. In case the board of controllers has less than the minimum number of members specified in Clause 2 of this article, within 90 days from the date on which the minimum number of members is not met, the credit institution must elect additional members and ensure the minimum number of members, except for the case specified in Clause 5, article 166 of this Law.

Article 52. *Rights and obligations of the board of controllers*

1. Supervise the management and administration of a credit institution in complying with the laws, internal regulations, its charter and resolutions and decisions of the general meeting of shareholders, owners, the board of management and the members' council; take responsibility before the general meeting of shareholders, owners and capital-contributing members in the performance of assigned duties and powers in accordance with this Law and the charter of the credit institution.

2. Promulgate internal regulations of the board of controllers; annually review internal regulations of the board of controllers and internal regulations of credit institutions on accounting and reporting.
3. Organize the internal audit; have access to, provide fully, accurately and promptly information and documents related to the management and operation of the credit institution, have the right to use resources of the credit institution to perform assigned duties and powers; hire experts, independent consultants and external organizations to perform their duties but remain responsible for the performance of the duties of the board of controllers.
4. Supervise the financial situation, assess the financial statements of the first 6 months of the year and the annual financial statements of the credit institution; report to the general meeting of shareholders, owners and capital-contributing members on the results of the assessment of the annual financial statements; assess the appropriateness, legality, truthfulness and level of care in statistical and accounting work and in the preparation of financial statements. The board of controllers may consult the board of management or the members' council before submitting reports and recommendations to the general meeting of shareholders or owners or capital contributing members.
5. Supervise the approval and implementation of investment projects, purchase and sale of fixed assets, contracts and other transactions of credit institutions under the decision-making authority of the general meeting of shareholders, the board of management and the members' council. Annually, prepare and send reports on monitoring results to the general meeting of shareholders, owners, the board of management, and the members' council.
6. To supervise the observance of the provisions of Chapter VII of this Law on restrictions to ensure safety in the operation of credit institutions.
7. To examine accounting books, other documents and the management and administration of operations of a credit institution when deeming it necessary or in the following cases:
 - a) According to resolutions and decisions of the general meeting of shareholders;
 - b) At the request of the State Bank or major shareholders, large groups of shareholders, owners, capital-contributing members, the members' council in accordance with the provisions of the law. The inspection shall be carried out within seven (7) working days from the date of receipt of the request. Within 15 days from the date of completion of the inspection, the board of controllers must report and explain the issues requested for inspection to the requesting organization or individual.
8. To promptly notify the general meeting of shareholders, owners, the board of management or the members' council when detecting acts of breaching the law or the charter and internal regulations of the credit institution, resolutions, decisions of the general meeting of shareholders, owners, the board of management, the members' council; and request the violator to immediately stop the violation and take remediation solutions (if any).
9. Make a list of founding shareholders within five (5) years from the date of being founding shareholders, shareholders owning 1% or more of the charter capital, capital contributing members and related persons of members of the board of management, members of the members' council, members of the board of controllers, general director (director) of a credit institution, shareholders owning 1% or more of charter capital; and maintain and update changes to this list.

10. To request the board of management and the members' council to hold an extraordinary meeting or request the board of management to convene an extraordinary general meeting of shareholders in accordance with this Law and the charter of the credit institution.
11. Convene an extraordinary general meeting of shareholders where the board of management has a decision that seriously violates the provisions of this Law or exceeds its assigned authority or other cases as prescribed in the charter of the credit institution.
12. Appoint, dismiss, discipline, suspend and make decisions on salary and other benefits for positions in the internal audit department.
13. Promptly report to the State Bank for violations specified in Clauses 6, 8 and 11 of this article and violations of the ratio of share ownership, contributed capital and related persons in accordance with this Law.
14. Other duties and powers as prescribed by law and the charter of the credit institution.

Article 53. *Rights and obligations of the head of the board of controllers*

1. To organize the performance of duties and powers of the board of controllers specified in article 52 of this Law and take responsibility for the exercise of their rights and obligations.
2. To convene and chair a meeting of the board of controllers.
3. To sign documents within the authority of the board of controllers on behalf of the board of controllers.
4. To represent the board of controllers in convening an extraordinary meeting of the general meeting of shareholders in accordance with clause 11, article 52 of this Law or on request from the board of management or members' council to conduct an extraordinary meeting.
5. To attend meetings of the board of management or the members' council, and to express his or her opinions but the head shall not be permitted to vote.
6. To request his or her opinion be recorded in the minutes of meetings of the board of management or the members' council if such opinions differ from resolutions or decisions of the board of management or the members' council and report [such opinion] to the general meeting of shareholders or owners or capital-contributing members.
7. To prepare the working plan of the board of controllers and assign specific duties to members of the board of controllers.
8. To ensure that members of the board of controllers receive complete, objective and accurate information and have sufficient time to discuss issues that the board of controllers must consider.
9. To supervise and direct the performance of assigned duties and rights and obligations of members of the board of controllers.
10. To authorise another member of the board of controllers to exercise the rights and perform the obligations of the Head of the board of controllers during his or her absence or inability to perform his or her duties.
11. Other rights and obligations as prescribed by law and the charter of the credit institution.

Article 54. *Rights and obligations of members of the board of controllers*

1. To comply with the law, the charter of the credit institution, internal regulations of the board of controllers and perform the duties assigned by the head of the board of controllers in order to perform the duties and powers of the board of controllers honestly and carefully, for the benefit of the credit institution and shareholders, capital contributors, owners; and to take responsibility for the exercise of their rights and obligations.
2. To elect a member of the board of controllers to be the head of the board of controllers, except for the case specified at Point c, Clause 1, article 73 of this Law.
3. To request the head of the board of controllers to convene an extraordinary meeting of such board.
4. To control business activities, and to control the accounting books, assets, financial statements and to make recommendations on remediation measures.
5. To request managers to report and explain on the financial status, business results of subsidiaries, plans, projects, development investment programs and other decisions in the management and administration of credit institutions.
6. To request managers, executives and employees of credit institutions to provide data and explain business operations to perform assigned duties.
7. To report to the head of the board of controllers on unusual financial activities of the credit institution and take responsibility for his/her assessment and conclusions.
8. To participate in meetings of the board of controllers, discuss and vote on issues falling within the duties and powers of the board of controllers, except for issues involving conflicts of interest with such members.
9. Other rights and obligations as prescribed by law and the charter of the credit institution.

Article 55. *General director (director)*

1. The board of management, the members' council and the owner shall appoint the general director (director) for a term not exceeding five (5) years.
2. The general director (director) is the highest executive of a credit institution and is responsible to the board of management or the members' council and the owner for the exercise of his/her rights and obligations.
3. In case of a vacancy of the general director (director), the board of management, the members' council or the owner of a credit institution must appoint the general director (director) within 90 days from the date of vacancy of the general director (director).

Article 56. *Rights and obligations of the general director (director)*

1. To organize the implementation of resolutions and decisions of the general meeting of shareholders, and the board of management or the members' council.
2. To make decisions on issues within his / her authority related to the credit institution's daily business operations.
3. To establish and maintain an efficient internal control system.
4. To prepare financial statements and submit them to the board of management or the members' council for approval or to report to the authorized level for approval; to take responsibility for the

accuracy and truthfulness of financial statements, statistical reports, settlement data and other financial information.

5. To issue internal regulations and regulations within his or her authority; operational processes and procedures for operating business administration systems, and management information systems.

6. To report to the board of management or the members' council, the board of controllers, the general meeting of shareholders and competent state agencies on the operation and business results of the credit institution.

7. To make decisions to apply measures exceeding his/ her authority in the event of a natural calamity, enemy-inflicted destruction, fire or breakdown and to be liable for such decisions, and to promptly report such decisions to the board of management or the members' council.

8. To recommend and/or propose the organizational and operational structure of the credit institution and submit same to the board of management or members' council and general meeting of shareholders for decision in accordance with its authority.

9. To request the board of management and the members' council to hold extraordinary meetings.

10. To appoint, remove or dismiss managerial and executive positions of the credit institution, except for positions within the decision-making authority of the general meeting of shareholders, the owner, capital contributing members, the board of management or members' council.

11. To enter into contracts or other transactions on behalf of a credit institution in accordance with the provisions of the charter and internal regulations of the credit institution.

12. To recommend plans for using profit or dealing with losses during the business of the credit institution.

13. To recruit employees, and to make decisions on salaries and bonuses for employees within his or her authority.

14. Other rights and obligations as prescribed by law and the charter of the credit institution.

Article 57. *Internal control system*

1. Internal control system means a set of regimes, policies, procedures, internal rules and organizational structure of a credit institution which are arranged and implemented by the organization in order to prevent, discover and promptly deal with risks.

2. A credit institution shall establish an internal control system to satisfy the following requirements:

- a) Efficiency and safety during the operation; protection, management and use of assets and resources in a safe and efficient manner;
- b) A truthful, reasonable, complete and prompt system of financial and management information;
- c) Compliance with laws and internal mechanisms, policies, procedures and regulations.

3. The State Bank may request credit institutions to hire independent auditing organizations to assess part or the whole of the internal control system when deeming it necessary.

4. Credit institutions shall formulate internal control systems and apply technologies to internal control activities according to regulations of the Governor of the State Bank.

Article 58. *Internal audit*

1. A credit institution must establish an internal audit unit under the board of controllers to conduct internal audits of the credit institution.

2. The internal audit unit shall conduct an independent and objective review and assessment of the suitability and compliance with mechanisms, policies, processes and internal regulations of credit institutions; and shall make recommendations in order to improve the efficiency of systems, processes and rules, and contribute to ensuring that the credit institution operates safely, effectively and in accordance with the law.

3. Internal audit results must be promptly reported to the board of controllers and sent to the board of management, the members' council and the general director (director) of the credit institution.

Article 59. *Independent audit*

1. Before the end of the fiscal year, a credit institution shall select an independent auditing organization meeting the requirements prescribed by the Governor of the State Bank to audit the financial statements and provide assurance services for the operation of the internal control system in the preparation and presentation of financial statements in the next fiscal year.

2. Within 30 days from the date of decision on selection of an independent auditing organization, a credit institution shall notify the State Bank of the selected independent auditing organization.

Section 3. CREDIT INSTITUTIONS BEING JOINT-STOCK COMPANIES

Article 60. *Classes of shares and shareholders*

1. A credit institution being a joint-stock company must have ordinary shares. Owners of ordinary [or common] shares are ordinary shareholders.

2. A credit institution being a joint-stock company may have preference shares. Owners of preferred shares are preferred shareholders. Preference shares shall include the following classes:

a) Dividend preference shares;

b) Voting preference shares.

3. *Dividend preference share means* a share for which a dividend is paid at a rate higher than that paid for an ordinary share or at an annual fixed rate. Annual dividends shall comprise fixed dividends and bonus dividends. Fixed dividends shall not depend on the business results of the credit institution and shall only be paid when the credit institution makes a profit. When a credit institution suffers a business loss, or makes a profit which is insufficient for payment of fixed dividends, the fixed dividend payable on dividend preference shares shall be **accumulated in subsequent years**. The specific rate of fixed dividends and the method for determining bonus dividends shall be decided by the general meeting of shareholders and stipulated on the dividend preference share certificates. **The total par value of dividend preference shares shall be equal to or less than 20% of the charter capital of the credit institution.**

members of the board of management, members of the board of controllers, the general director (director) and other managers and executives of a credit institution are not permitted to purchase dividend preference shares issued by such credit institution. People permitted to purchase dividend preference shares shall be stipulated in the charter of the credit institution or shall be decided by the general meeting of shareholders.

Shareholders holding dividend preference shares have the same rights as ordinary shareholders, except for the voting right, the right to attend the general meeting of shareholders, and the right to nominate persons for the board of management and board of controllers

4. Only organizations authorized by the Government and founding shareholders are entitled to hold voting preference shares. **The voting preference right of founding shareholders shall only be valid for three years from the date on which the credit institution is issued with its business registration certificate.** After such period, voting preference shares of founding shareholders shall be converted into ordinary shareholders. **Voting preference shareholders shall have the same rights as ordinary shareholders, except for the right to assign such shares to others.**

5. Ordinary shares cannot be converted into preferred shares. Preference shares are convertible into ordinary shares according to the resolution of the general meeting of shareholders.

6. **A credit institution being a joint-stock company must have at least 100 shareholders and not limit the maximum number,** except for credit institution under special controls and compulsorily transferred commercial banks that are implementing the compulsory transfer plan specified in Section 4, Chapter X of this Law.

Article 61. *Rights of ordinary shareholders*

1. To attend and express opinions at the general meeting of shareholders and to exercise the right to vote personally or via an authorized representative; each ordinary share shall carry one vote.
2. To receive dividends pursuant to resolutions of the general meeting of shareholders.
3. To be given priority in subscribing for new shares offered for sale in proportion to the percentage of ordinary shares of each shareholder in a credit institution.
4. To assign their shares to other shareholders of a credit institution or other organizations or individuals in accordance with this Law and the charter of the credit institution.
5. To view, consult and extract information about names and contacts in the list of shareholders entitled to vote and to request amendment of the inaccurate information.
6. To view, consult, extract and copy the charter of the credit institution, the book of minutes of the general meeting of shareholders, and resolutions and decisions of the general meeting of shareholders.
7. To be entitled to receive a share of the remaining assets in proportion to the number of shares owned in the credit institution upon dissolution or bankruptcy of the credit institution.
8. To authorize in writing another person to exercise their rights and obligations; the proxy shall not be permitted to stand for election in their own capacity.
9. To stand for election or nominate people for the board of management or board of controllers in accordance with the provisions of the charter, or in accordance with provisions of law if the charter does not contain a relevant provision. A list of candidates must be submitted to the board of management within the deadline stipulated by such board.
10. Shareholders or groups of shareholders owning 5% or more of the total number of ordinary shares or a lower percentage as prescribed in the charter of a credit institution shall have the right to nominate persons to the board of management or the board of controllers.

Article 62. *Obligations of ordinary shareholders*

1. Shareholders of a credit institution must discharge the following obligations:

a) Pay in full for the shares undertaken to be subscribed for, within the deadline stipulated by the credit institution; and be liable for debts and other asset obligations of the credit institution to the extent of the amount of share capital contributed to the credit institution;

b) Not to withdraw contributed share capital from a credit institution in any form leading to a reduction in the charter capital of the credit institution, except for the case specified in article 65 of this Law;

c) Be legally liable for the lawfulness of the source of capital contributed to or used to purchase shares or used to receive a transfer of shares in the credit institution; not to use capital sources from credit extended by a credit institution or foreign bank branch or capital sources from corporate bond issuance for the purpose of purchasing or receiving a transfer of shares in a credit institution; and not to contribute capital to or to purchase shares in a credit institution in the name of another individual or legal entity in any form, except in a case of entrustment in accordance with law;

d) Comply with the charter and internal regulations of the credit institution;

dd) Comply with the resolutions and decisions of the general meeting of shareholders and the board of management;

e) Be personally responsible when acting on behalf of a credit institution in any form to commit acts that violate the law, conduct business or other transactions for personal gain or to serve the interests of other organizations or individuals;

g) To keep confidential information provided by the credit institution in accordance with the provisions of the law and the credit institution's charter; only use the provided information to exercise and protect their legitimate rights and interests; not to disseminate, copy or send information provided by credit institutions to other organizations or individuals.

2. Any shareholder who invests in shares as trustee for another entity must provide information to the credit institution about the real owner/s of the shares for which such shareholder invests as trustee. The credit institution shall be entitled to suspend the shareholders' rights of such shareholders if it discovers that the shareholders failed to provide truthful information about the real owners of such shares.

Article 63. *Share ownership ratio*

1. Any one shareholder being an individual is not permitted to own over five per cent of the charter capital of any one credit institution.

2. A shareholder being an organization is not permitted to own shares exceeding 15% of the charter capital of any one credit institution.

3. Shareholders and related persons of such shareholders may not own shares exceeding 15% of the charter capital of a credit institution. A major shareholder of a credit institution and its related persons may not own shares of 5% or more of the charter capital of another credit institution.

4. The provisions of Clauses 2 and 3 of this article shall not apply to the following cases:

a) Owning shares in subsidiaries or affiliated companies being credit institutions specified in Clauses 2 and 3, article 111 of this Law;

b) Ownership of shares held by the State in equitized credit institutions;

c) Owning shares by foreign investors specified in Clause 7 of this article.

5. The share ownership ratio specified in Clauses 1 and 2 of this article includes the number of indirectly owned shares. The percentage of share ownership specified in Clause 3 of this article includes shares entrusted by shareholders to other organizations or individuals to purchase shares and excludes share ownership of related persons being subsidiaries of such shareholders as prescribed at Point a, Clause 9, article 4 of this Law.

6. For the period of **five years from the date of issuance of the licence**, founding shareholders must hold the number of shares equalling at least fifty (50) per cent of the charter capital of the credit institution, and founding shareholders being legal entities must hold the number of shares equalling at least fifty (50) per cent of the total number of shares held by the founding shareholders

7. Foreign investors may purchase shares of Vietnamese credit institutions. The Government shall stipulate the maximum total share ownership of foreign investors, **the maximum share ownership ratio of a foreign investor being an institution, the maximum share ownership ratio of a foreign investor and its related persons in a Vietnamese credit institution; conditions and procedures** for foreign investors to purchase shares of Vietnamese credit institutions; and conditions for Vietnamese credit institutions to sell shares to foreign investors.

Article 64. *Offer for sale and assignment of shares*

1. Shareholders being individuals, shareholders being legal entities whose representatives of contributed capital at a credit institution are members of the board of management, members of the board of controllers and general director (directors) of a credit institution are not permitted to assign their shares during the term of office.

The representative of the contributed capital specified in this Clause does not include the representative of the State's capital contribution at the credit institution.

2. During the period in which consequences of personal liability are being dealt with pursuant to a resolution or decision of the general meeting of shareholders or a decision of the State Bank, a member of the board of management or of the board of controllers or the general director (director) is not permitted to assign their shares, unless such member:

a) Is a member of the board of management, members of the board of controllers, general director (director) and are authorized representatives of shareholders being organizations that are merged, consolidated, divided, separated, dissolved or bankrupt in accordance with the law;

b) Is a member of the board of management, members of the board of controllers, general director (director)] and is compelled to assign shares according to legally effective court judgments or decisions;

c) Is a member of the board of management, members of the board of controllers, general director (director) who transfer/assigns shares to other investors in order to implement the approved recovery plan, the plan to transfer the entire contributed capital, or the compulsory transfer plan.

3. The transfer of listed shares and transaction registration of credit institutions shall comply with the provisions of the *Law On Securities*.

4. Within five (5) years from the date on which a credit institution is issued a license, founding shareholders may only transfer ordinary shares and dividend preference shares to other founding shareholders provided that the share ownership ratios specified in article 63 of this Law are guaranteed.

Article 65. *Redemption of shares by shareholders*

A credit institution is only entitled to redeem shares of shareholders if, after such redeemed shares are fully paid for, the credit institution will still ensure the prudential limits in a banking operation and the actual value of its charter capital will not be lower than the level of its legal capital; if the redemption will result in a reduction of the charter capital of the credit institution, then the State Bank must provide prior written consent.

Article 66. *Share certificates*

If shares are issued in the form of certificates, the credit institution must issue certificates to its shareholders within thirty (30) days from the date of commencement of operation in the case of a newly established credit institution; or within thirty (30) days from the date on which shareholders pay in full for the shares undertaken to be subscribed for, in the case of a credit institution increasing its charter capital

Article 67. *General meeting of shareholders*

1. The general meeting of shareholders must hold its annual meeting with four (4) months from the end of the fiscal year.

2. The board of management shall convene an extraordinary general meeting of shareholders in the following cases:

- a) The board of management considers that it is necessary to do so in the interests of the credit institution;
- b) The number of remaining members of the board of management is less than the minimum number of members stipulated in clause 1, article 69 of this Law;
- c) The number of remaining members of the board of controllers is less than the minimum number of members stipulated in Clause 2, article 51 of this Law;
- d) Upon the request of shareholders or groups of shareholders owning more than 10% of the total number of ordinary shares or a lower percentage as prescribed in the charter of the credit institution;
- dd) Upon the request of the board of controllers;
- f) To make decisions on contents at the request of the State Bank when events affecting the operation safety of credit institutions occur;
- g) Other cases specified in the charter of the credit institution.

3. The general meeting of shareholders shall include all shareholders entitled to vote and shall be the highest decision-making authority of the credit institution. The general meeting of shareholders has the following rights and duties:

- a) To pass the developmental direction of the credit institution;
- b) To approve the charter, and make amendments of and additions to the charter of the credit institution;
- c) To approve rules on the organization and operation of the board of management and the board of controllers;
- d) To make decisions on the number of members of the board of management and the board of controllers for each term; to elect, remove, dismiss, elect additional members or replace members

of the board of management and members of the board of controllers in accordance with the standards and conditions prescribed by this Law and the charter of the credit institution;

dd) To make decisions on the amount of remuneration, bonuses and other benefits for members of the board of management, members of the board of controllers and the operating budget of the board of management and the board of controllers;

e) To consider and deal, within its authority, of breaches of the board of management and the board of controllers causing damage to the credit institution and its shareholders;

g) To make decisions on the organizational structure and managerial and executive structure of the credit institution;

h) To approve plans for change of the level of charter capital; to approve the share offering plan, including the type of shares and the number of new shares to be offered;

i) To approve the plan for redemption of sold shares;

k) To approve plans for issuance of convertible bonds;

l) To approve the plan specified in article 143 of this Law;

m) To approve annual financial statements; and profit distribution plans after full discharge of tax and other financial obligations of credit institutions;

n) To approve reports of the board of management and the board of controllers on the performance of assigned duties and powers;

o) To make decisions on the establishment or change in the legal form of a commercial presence abroad or subsidiaries of credit institutions;

p) To approve plans on capital contribution, purchase and sale of shares or capital contribution of a credit institution at an enterprise or other credit institution whose capital contribution value, expected purchase price or carrying value in case of sale of shares, contributed capital with a value of 20% or more of the charter capital of the credit institution stated in the audited financial statements the nearest or other lower rate as prescribed in the charter of the credit institution;

q) To make decisions on investment, purchase or sale of fixed assets of a credit institution whose investment level, expected purchase price or full price in case of sale of fixed assets is valued at 20% or more of the charter capital of the credit institution stated in the most recent audited financial statements or other lower ratio as prescribed in the charter of the credit institution;

r) To approve contracts or other transactions with a value of 20% or more of the charter capital of the credit institution stated in the most recent audited financial statements or another lower ratio as prescribed in the charter of the credit institution between the credit institution [on the one hand] and members of the board of management, members of the board of controllers, the general director (director), major shareholders of the credit institution; related persons of managers, members of the board of controllers, major shareholders of the credit institution; subsidiaries or affiliated companies of credit institutions [on the other hand], except for cases where commercial banks are implementing compulsory transfer plans;

s) To make decisions on the division, separation, consolidation, merger, conversion of the legal form, on dissolution or on petition for bankruptcy procedures for a credit institution;

t) To make decisions on the selection of an independent auditing organization as prescribed in article 59 of this Law;

u) To make decisions on solutions to overcome major changes in the finances of the credit institution.

4. Resolutions of the general meeting of shareholders shall be passed according to the following provisions:

a) The general meeting of shareholders shall pass resolutions which fall within its authority by way of voting in a meeting or collecting written opinions;

b) Except for the case stipulated at Points c, d and dd of this Clause, a resolution of the general meeting of shareholders shall be passed in a meeting when approved by the number of shareholders representing over 51% of the total voting shares of all shareholders attending the meeting or when approved by the number of shareholders representing more than 51% of the total number of votes of all shareholders in case of taking written opinions or other higher rates prescribed by the charter of the credit institution;

c) In respect of decisions on the issues specified at Points h and q, Clause 3 of this article, they must be approved by the number of shareholders representing more than 65% of the total votes of all shareholders attending the meeting or when approved by the number of shareholders representing more than 65% of the total votes of all shareholders in case of collecting written opinions or another higher rate prescribed by the charter of the credit institution;

d) In respect of decisions on the issues specified at Point s, Clause 3 of this article, they must be approved by the number of shareholders representing more than 65% of the total votes of all shareholders attending the meeting or a higher percentage prescribed by the charter of the credit institution;

dd) The election of members of the board of management and the board of controllers must be carried by the method of cumulative voting.

5. Decisions on the contents specified at Points a, d, e and s, Clause 3 of this article must be approved by voting at the general meeting of shareholders.

Article 68. *Report on resolutions and decisions of the general meeting of shareholders*

All resolutions and decisions passed by the general meeting of shareholders must be sent to the State Bank within fifteen (15) days from the date of closing of the meeting, or from the date of closure of the counting of votes in a case of collecting written opinions

Article 69. *Board of management of a credit institution being a joint-stock company*

1. The board of management of a credit institution being a joint-stock company must have at least five (5) members and not more than 11 members. The number of members of each term shall be decided by the general meeting of shareholders. The board of management must have at least two (2) independent members, and two-thirds of the total number of members must be independent members and members who are not executives of the credit institution.

2. The term of office of the board of management shall not exceed five (5) years. The term of office of a member of the board of management follows the term of office of the board of management. The term of office of an additional or replacement member of the board of management is the remaining term time of the term of the board of management. The board of management of the

ending term shall continue to operate until the board of management of the new term takes over the work.

3. Individuals and related persons of such individuals or people being representatives of the capital contribution portions of shareholders being organizations and related persons of such representatives are permitted to participate on the board of management, but must not exceed two (2) members of the board of management of any one credit institution being a joint-stock company, except for the case of a representative of the State's capital contribution, the compulsory transferee.

4. The board of management shall take responsibility before the general meeting of shareholders for the performance of assigned duties and powers in accordance with this Law and the charter of the credit institution.

Article 70. *Rights and obligations of the board of management of a credit institution being a joint-stock company*

1. To be responsible for establishment and commencement of operation of the credit institution after the first meeting of the general meeting of shareholders.

2. To submit to the general meeting of shareholders for decision and approval the contents falling within the duties and powers of the general meeting of shareholders specified in Clause 3, article 67 of this Law.

3. To make decisions on the establishment of branches, representative offices and professional units of credit institutions.

4. To appoint, dismiss, discipline, suspend and decide on the amount of remuneration, bonuses and other benefits for the general director (director), deputy general director (deputy director) and other executives within their authority according to internal regulations of the board of management.

5. To appoint a representative of the capital contribution portion of the credit institution at other enterprises or credit institutions.

6. To pass plans on capital contribution, purchase or sale of shares or capital contribution of a credit institution at an enterprise or other credit institution whose capital contribution value, expected purchase price or carrying value in case of the sale of shares or contributed capital is worth less than 20% of the charter capital of the credit institution stated in the latest audited financial statements or another lower rate as prescribed in the charter of the credit institution.

7. To approve decisions on investment, purchase or sale of fixed assets of a credit institution whose investment level, expected purchase price or full price in case of sale of fixed assets valued at 10% or more of the charter capital of the credit institution stated in the most recent audited financial statements or other lower ratio as prescribed in article rules of credit institutions, except for investments, purchase and sale of fixed assets under the decision-making authority of the general meeting of shareholders.

8. To make decisions on the extension of credit as prescribed in Clause 7, article 136 of this Law, except for other contracts and transactions within the decision-making authority of the general meeting of shareholders.

9. To approving contracts or other transactions with a value of less than 20% of the charter capital of a credit institution stated in the most recent audited financial statements or another lower ratio as prescribed in the credit institution's charter between the credit institution and members of the board of management, members of the board of controllers, general director (director), major

shareholders of the credit institution; related persons of managers, members of the board of controllers, major shareholders of the credit institution; and subsidiaries and affiliated companies of credit institutions.

10. To approve contracts or other transactions with a value of 10% or more of the charter capital of a credit institution stated in the most recently audited financial statements or another lower ratio as prescribed in the charter of the credit institution.

11. To inspect, supervise and direct the general director (director) in performing his or her assigned duties; to evaluate annually the efficiency of the work of the general director (director)).

12. To issue internal rules on organization, management and operation of the credit institution in compliance with this Law and relevant laws, except for issues falling within the authority of the general meeting of shareholders

13. To make decisions on risk management policies and supervise the implementation of risk prevention measures by credit institutions.

14. To consider and approve annual reports.

15. To make decisions on offering new shares within the number of shares entitled to be offered.

16. To make decisions on the price of shares and convertible bonds of the credit institution offered for sale.

17. To make decisions to the redemption of shares of a credit institution according to the approved plan.

18. To recommend plans for distribution of profit and dividend rates to be paid; to make decisions on the time-limit and procedures for payment of dividends or for dealing with losses incurred during the business process

19. To prepare items and relevant data and submit them to the general meeting of shareholders for decision on issues falling within the authority of the general meeting of shareholders, except for contents falling within the functions and powers of the board of controllers.

20. To approve operational plans and programs of the board of management; the agenda, contents and data for meetings of the general meeting of shareholders; to convene meetings of the general meeting of shareholders or obtain written opinions in order for the general meeting of shareholders to pass resolutions and decisions.

21. To organize the implementation, inspection and supervision of the implementation of resolutions and decisions of the general meeting of shareholders and the board of management.

22. To promptly notify the State Bank of information negatively affecting the membership of the board of management, the board of controllers and the general director (director).

23. Other duties and powers as prescribed by law and the charter of the credit institution.

Article 71. *Rights and obligations of the chairman of the board of management of a credit institution being a joint-stock company*

1. To prepare operational programs and plans of the board of management; to take responsibility for the exercise of their rights and obligations.

2. To convene and chair meetings of the board of management.

3. To sign documents within the authority of the board of management on behalf of the board of management.
4. To organize the passage of resolutions and decisions of the board of management.
5. To supervise the process of the implementation of resolutions and decisions of the board of management.
6. To chair meetings of the general meeting of shareholders.
7. To ensure that members of the board of management receive complete, objective and accurate information about and have sufficient time to discuss issues which the board of management must consider.
8. To assign specific duties to each member of the board of management.
9. To supervise members of the board of management in the performance their assigned work, and general rights and obligations.
10. Only another member of the board of management may authorize another member of the board of management to exercise the rights and perform the obligations of the chairman of the board of management during his absence or inability to perform his duties.
11. To annually evaluate the efficiency of the work of each member of the board of management, and of committees of the board of management and report the results of such evaluation to the general meeting of shareholders.
12. Other rights and obligations as prescribed by law and the charter of the credit institution.

Article 72. *Rights and obligations of members of the board of management of a credit institution being a joint-stock company*

1. To exercise the rights and discharge the obligations of members of the board of management in accordance with the internal rules of the board of management and the assignment of the chairman of the board of management honestly and carefully, for the benefit of credit institutions and shareholders; to promote the independence of independent members of the board of management in exercising rights and obligations; to take responsibility for the exercise of their rights and obligations.
2. To consider the audit report of the financial statements prepared by the independent auditor, comment on or request the credit institution executive, independent auditor and internal auditor to explain and clarify issues related to the report.
3. To request the chairman of the board of management to convene an extraordinary meeting of the board of management.
4. To attend meetings of the board of management, to discuss and vote on all issues falling within the duties and powers of the board of management in accordance with this Law; to be liable before the general meeting of shareholders and the board of management for their decisions.

Where there exists a conflict of interest of a member pertaining to the content on which a vote will take place, that member shall not be permitted to participate in the voting.

5. A member of the board of management may not authorize another person to attend a meeting of the board of management to decide the contents specified in Clauses 2, 4, 6, 7, 8, 9, 10, 12, 13, 14 and 18, article 70 of this Law.

6. To implement resolutions and decisions of the general meeting of shareholders and the board of management.

7. To explain to the general meeting of shareholders and the board of management the performance of assigned duties upon request.

8. Other rights and obligations as prescribed by law and the charter of the credit institution.

Section 4. A CREDIT INSTITUTION BEING A SINGLE MEMBER LIMITED LIABILITY COMPANY

Article 73. *Rights and obligations of owners of credit institutions being single member limited liability companies*

1. Owners shall have the following powers:

a) To make decisions on the number of members of the members' council and state the number in the charter of the credit institution, with not less than five (5) members and not more than nine (9) members;

b) To appoint an authorized representative with a term of office not exceeding five years to implement the duties and powers of the owner in accordance with this Law. The authorized representative must satisfy all criteria and conditions stipulated in clause 1, article 41 of this Law;

c) To appoint, for a term not exceeding five (5) years, remove or dismiss the chairman and other members of the members' council; head of the board, other members of the board of controllers; general director (director), deputy general director (director), chief accountant;

d) To make decisions to change the level of charter capital of the credit institution; **transfer part or all of the charter capital of the credit institution and change the legal form of the credit institution;**

dd) To make decisions on policies on establishment, acquisition, capital contribution, increase or decrease of contributed capital, transfer of investment capital at subsidiaries or affiliated companies;

e) To approve annual financial statements; and to make decisions on the use of profits after the full discharge of tax and other financial obligations of the credit institution;

g) To make decisions on restructuring or dissolution, or petitioning a Court to commence bankruptcy proceedings of the credit institution;

h) To make decisions on the amount of remuneration, salaries, bonuses and other benefits of the chairman, other members of the members' council, the head of the committee, other members of the board of controllers, the general director (director).

2. The owner shall have the following duties:

a) To contribute capital in full and on time as undertaken;

b) To comply with the charter of the credit institution;

c) To identify and separate the owner's assets from those of the credit institution;

d) To comply with the provisions of the law during any purchase, sale, borrowing, lending, lease, or lease out and other contracts and transactions between credit institutions and owners;

dd) Other obligations as prescribed by this Law and the charter of the credit institution.

Article 74. *Rights and obligations of the members' council of a credit institution being a single member limited liability company*

1. The members' council of a credit institution being a single member limited liability company shall comprise all authorized representatives of the owner, and shall, in the name of the owner, organize the exercise of rights and discharge of obligations of the owner in accordance with regulations; and shall, in the name of the credit institution, exercise rights and discharge obligations of the credit institution; and shall be responsible to the owner for implementation of such council's rights and obligations in accordance with this Law and the charter of the credit institution.

2. The members' council has the following duties and powers:

- a) To make decisions and approve the charter, amend and supplement the charter of the credit institution;
- b) To make decisions on the development strategy and annual business plan of the credit institution;
- c) To submit issues to the owner of the credit institution for approval and decisions on the contents falling within the owner's authority for approval and decisions specified at Points c, d, dd, e and g, Clause 1, article 73 of this Law;
- d) To consider and approve annual reports;
- dd) To make decisions on the selection of an independent auditing organization as prescribed in article 59 of this Law;
- e) To inspect, supervise and direct the general director (director) in the performance of his or her assigned duties; to evaluate annually the performance of the general director (director);
- g) To make decisions on dealing with losses incurred in the course of business;
- h) To make decisions on the extension of credit in accordance with Clause 7, article 136 of this Law;
- i) To make decisions on plans for capital contribution and purchase or sale of shares in other enterprises or credit institutions with expected purchase price or book value in case of the sale of shares or contributed capital valued at twenty (20) per cent or more of the charter capital of the credit institution as recorded in its most recent audited financial statements or at a lower percentage if stipulated in the charter of the credit institution;
- k) To pass investment decisions and decisions on purchase and sale of assets of the credit institution with expected purchase price or full price in case of the sale of fixed assets valued at twenty (20) per cent or more of the charter capital of the credit institution as recorded in its most recent audited financial statements or at a lower percentage if stipulated in the charter of the credit institution;
- l) To make decisions on entering into contracts between the credit institution with subsidiary companies or affiliated companies of the credit institution; and contracts between the credit institution with members of the members' council, members of the board of controllers, the general director (director) or their related persons. In such case, the relevant member shall not be entitled to vote except for contracts or other transactions with the owner of the credit institution.
- m) To make decisions on solutions for market development, marketing and technology transfer;

- n) To issue internal rules related to the organization, management and operation of credit institutions in accordance with the provisions of this Law and other relevant laws;
- o) To supervise and evaluate the business activities of the credit institution;
- p) Other rights and duties as prescribed by law and the charter of the credit institution.

Article 75. *Rights and obligations of the chairman of the members' council of a credit institution being a single member limited liability company*

1. To prepare operational programs and plans of the members' council; to take responsibility for the exercise of their rights and obligations.
2. To convene and chair meetings of the members' council, to organise the collection of opinions of members of the members' council.
3. To supervise and organize the implementation of resolutions and decisions of the members' council.
4. To sign resolutions and decisions of the members' council on behalf of the members' council.
5. To ensure that members of the members' council receive complete, objective and accurate information and have sufficient time to discuss contents that the members' council must consider.
6. To assign specific duties to each member of the members' council.
7. To supervise members of the members' council in the exercise of assigned rights, obligations and duties.
8. To authorize only another member of the members' council to exercise the rights and perform the obligations of the chairman of the members' council during his absence or inability to perform his duties.
9. To evaluate annually the work efficiency of each member of the members' council and report to the owner on the results of this assessment.
10. Other rights and obligations as prescribed by law and the charter of the credit institution.

Article 76. *Rights and obligations of members of the members' council of a credit institution being a single member limited liability company*

1. To exercise the rights and discharge obligations of members of the members' council according to the internal rules of the members' council and the assignment of the chairman of the members' council honestly and carefully, and in the interests of the credit institution and the owners; take responsibility for the exercise of their rights and obligations.
2. To consider audit reports of financial statements prepared by independent auditors, comment or request credit institution executives, independent auditors and internal auditors to explain and clarify issues related to the reports.
3. To request the chairman of the members' council to convene an extraordinary meeting of the members' council.
4. To attend meetings of the members' council, to discuss and vote on all issues falling within the duties and powers of the members' council in accordance with this Law, to take responsibility before the owner and before the members' council for their decisions.

Where there exists a conflict of interest of a member pertaining to the content on which a vote will take place, that member shall not be permitted to participate in the voting.

5. To implement decisions of owners and resolutions and decisions of the members' council.
6. To explain to the owner and the members' council the performance of assigned duties upon request.
7. Other rights and obligations as prescribed by law and the charter of the credit institution.

Section 5. A CREDIT INSTITUTION BEING A MULTIPLE MEMBER LIMITED LIABILITY COMPANY

Article 77. *Rights and obligations of capital contributing members*

1. Capital contributing members of a credit institution being a limited liability company with two or more members must be a legal entity. The total number of capital contributing members must not exceed five (5) members. The maximum ratio of ownership of contributed capital of any one member and its related persons must not exceed 50% of the charter capital of a credit institution.

The capital contribution and ownership ratio of capital contributions of domestic and foreign organizations at microfinance institutions shall comply with regulations of the Governor of the State Bank.

2. Capital contributing members have the following powers:

- a) To appoint, remove and dismiss their representative as a member of the members' council or a member of the board of controllers on the basis of the amount of their capital contribution portion to the credit institution or upon agreement among capital contributing members
- b) To be provided with information and reports on the operation of the members' council, the board of controllers, the books of account, annual financial statements and other documents and data of the credit institution;
- c) To receive distribution of profit in proportion to the contributed capital after the credit institution has fully paid its obligations and fulfilled other financial obligations;
- d) To receive distribution of the remaining assets of the credit institution corresponding to their capital contribution portion, upon dissolution or bankruptcy of the credit institution;
- dd) To initiate a lawsuit against a member of the members' council, a member of the board of controllers, or the general director (director) for failure to fully discharge his or her obligations according to the provisions of the law, the charter of the credit institution, and resolutions and decisions of the members' council with respect to assigned rights and obligations and other cases as prescribed by the laws and charters of credit institutions.

3. Capital contributing members shall have the following obligations:

- a) Not to withdraw their contributed capital in any form;
- b) To comply with the charter of the credit institution;
- c) Other obligations as prescribed by law and the charter of the credit institution.

Article 78. *Assignment and redemption of contributed capital*

1. Capital contributing members are permitted to assign their capital contribution portions and shall be given priority in making additional capital contributions when the credit institution increases its charter capital

2. The Governor of the State Bank shall prescribe specific regulations on conditions for receipt of assignment of capital contribution portions by a credit institution and for redemption of capital contribution portions by the credit institution.

Article 79. *The members' council of a credit institution being a multiple member limited liability company*

1. The term of office of the members' council is specified in the charter of the credit institution and must not exceed five (5) years. The term of office of a member of the members' council shall follow the term of office of the members' council. The term of office of an additional or replacement member of the members' council shall be the residual period of the term of office. The members' council of the term which has recently expired shall continue to operate until the members' council of the new term takes over the work.

2. The members' council has the following duties and powers:

a) The duties and powers specified at Points a, d, dd, e, h, i, k, m and n, Clause 2, article 74 of this Law;

b) To make decisions to any increase or reduction of the charter capital, to make decisions on the time and method of raising capital;

c) To approve contracts or other transactions of the credit institution with its subsidiaries or affiliated companies; contracts and other transactions of credit institutions with members of the members' council, members of the board of controllers, the general director (director), and their related persons. In these cases, the relevant members of the members' council do not have the right to vote;

d) To report on the financial situation, business results of the credit institution, the performance of assigned duties and powers of the members' council and members of the members' council at the request of capital-contributing members or competent state agencies;

dd) To make decisions to the redemption of a contributed capital portion in accordance with this Law;

e) To elect, remove or dismiss the chairman of the members' council; to make decisions on appointment, removal and dismissal and on signing and terminating contracts of the general director (director), deputy general directors (deputy directors), chief accountant and other managers and executives in accordance with internal rules of the members' council;

g) To make decisions on the amount of remuneration, salary, bonus, and other benefits of the chairman and members of the members' council, of the head and members of the board of controllers, and of the general director (director);

h) To pass the annual financial statements, plans for use and distribution of profit or plans for dealing with losses of the credit institution;

i) To make decisions on establishment of subsidiary companies, branches and representative offices; and on capital contribution for establishment of affiliated companies;

k) To make decisions on restructuring or dissolution, and petitioning a court to commence bankruptcy proceedings for a credit institution;

l) To issue the development strategy and annual business plan of the credit institution;

m) Other duties and powers as prescribed by law and the charter of the credit institution.

3. The chairman of the members' council has the following rights and obligations:

a) The rights and obligations specified in Clauses 1, 2, 3, 4, 5, 6, 7 and 8, article 75 of this Law;

b) To evaluate annually the work efficiency of each member and the Committees of the members' council;

c) Other rights and obligations as prescribed by law and the charter of the credit institution.

4. A member of the members' council has the following rights and obligations:

a) The rights and obligations specified in Clauses 1, 2 and 3, article 76 of this Law;

b) To attend meetings of the members' council, discuss and vote on all of the issues falling within the duties and powers of the members' council in accordance with this Law, and to take responsibility before the members' council for their decisions.

Where there exists a conflict of interest of a member pertaining to the content on which a vote will take place, that member shall not be permitted to participate in the voting.

c) To implement resolutions and decisions of the members' council;

d) To explain to capital-contributing members and the members' council the performance of their assigned duties upon request;

dd) Other rights and obligations as prescribed by law and the charter of the credit institution.

Section 6. CREDIT INSTITUTIONS BEING COOPERATIVES

Article 80. *Operational nature and objectives*

A credit institution being a co-operative means a form of credit institution organized in accordance with the model of a co-operative conducting activities in the banking sector for the main purpose of mutual support amongst members in order to effectively conduct production, business and service activities and to improve living conditions. Credit institutions which are co-operatives comprise co-operative banks and people's credit funds.

Article 81. *Establishment of credit institutions as cooperatives*

1. members of a cooperative bank shall include all people's credit funds and other capital-contributing legal entities.

2. members of people's credit funds shall include individuals, households and legal entities contributing capital.

Article 82. *The organizational and management structure of a credit institution is a cooperative*

1. The organizational structure of a co-operative bank or people's credit fund shall comprise the general meeting of members, the board of management, the board of controllers and the general director(director).

2. Cooperative banks and people's credit funds must have internal audits, internal control systems and conduct independent audits according to regulations of the Governor of the State Bank.

Article 83. *Charter capital*

1. The charter capital of a cooperative bank shall include:

- a) The capital contribution of members;
- b) State support capital.

2. The charter capital of a people's credit fund includes capital contributed by its members.

3. The charter capital of a cooperative bank and a people's credit fund shall be supplemented from the following sources:

- a) The capital contribution of members;
- b) State support capital for cooperative banks;
- c) The reserve fund supplementing charter capital and other funds as prescribed by law;
- d) Other lawful sources of capital.

4. The level of capital contribution of a member shall be decided by the general meeting of members according to regulations of the Governor of the State Bank.

Article 84. *Rights of members*

1. To participate in the general meeting of members or elect representatives to do so, and to attend such meetings and vote on matters within the authority of the general meeting of members

2. To stand for election or nominate a person to the board of management, board of controllers and other positions subject to election in accordance with the charter of the co-operative bank or people's credit fund.

3. To deposit money, borrow capital and receive distribution of profit corresponding to their capital contribution portion and level of use of services of the co-operative bank or people's credit fund.

4. To enjoy the common social welfare [benefits] of the co-operative bank or people's credit fund.

5. To be provided with the necessary information related to the operation of cooperative bank and people's credit fund; to be supported in training, developing and improving professional qualifications.

6. To propose and request the board of management, general director (director), board of controllers to provide information and explain the activities of the cooperative bank or people's credit fund.

7. To request the board of management and the board of controllers to convene an extraordinary general meeting of members.

8. To assign their contributed capital and interests and obligations to another person in accordance with the law and the charter of the co-operative bank or people's credit fund.

9. To be entitled to return part or all of the contributed capital according to regulations of the Governor of the State Bank.

10. To exit the people's credit fund as prescribed in the people's credit fund's charter; members being legal entities contributing other capital out of cooperative banks as prescribed in the charter of cooperative banks.

11. Other rights as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 85. *Obligations of members*

1. To comply with the principles, purposes, charters and regulations of cooperative banks, people's credit funds, resolutions and decisions of the general meeting of members and the board of management.

2. To contribute fully and on time the committed capital contribution as prescribed in the charter of the cooperative bank, the charter of the people's credit fund and other relevant laws.

3. To cooperate and provide mutual assistance among members, to contribute to building and promoting the development of the cooperative bank or people's credit fund.

4. To take responsibility for debts and financial obligations of the cooperative bank or people's credit fund within the scope of capital contributions to cooperative bank and people's credit fund.

5. To fully repay principal and interest on loans of the cooperative bank or people's credit fund in accordance with commitments.

6. To pay compensation for loss caused by such member to the cooperative bank or people's credit fund in accordance with the provisions of the law and the charter of the cooperative bank and the charter of the people's credit fund.

7. To take responsibility when acting on behalf of the cooperative bank or people's credit fund in any form to commit law-breaking acts, conduct other business or transactions for personal gain or serve the interests of other organizations or individuals.

8. Other obligations as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 86. *General meeting of members*

1. The general meeting of members shall be the highest decision-making body of the cooperative bank or people's credit fund.

2. The general meeting of members shall be held in the form of a plenary congress or a congress of delegates. In case of holding a congress of delegates, the number of delegates attending shall be prescribed by the charter of the cooperative bank and the charter of the people's credit fund, but not less than 100 delegates.

3. The general meeting of members shall have the following duties and powers:

a) To approve the development orientation of the cooperative bank or people's credit fund;

b) To approve the charter, amend and supplement the charter of the cooperative bank or the charter of the people's credit fund;

c) To approve regulations on the organization and operation of the board of management, the board of controllers of the cooperative bank or people's credit fund;

- d) To approve reports on activities of the board of management and the board of controllers on the performance of their assigned duties and powers;
- dd) To approve annual financial statements; and the profit distribution plan after discharging tax obligations, fulfilling other financial obligations and dealing with losses;
- e) To approve annual business plans and member development plans, and the level of capital contribution of members;
- g) To approve the plan to change the level charter capital, except for the case of a change in charter capital due to a change in the contributed capital of members;
- h) To approve the number of members of the board of management and the board of controllers of each term; to elect, remove or dismiss the chairman, other members of the board of management, the head of the board and other members of the board of controllers; to adopt the policy of members of the board of management, the director or hire a director for people's credit funds;
- i) To pass investment decisions and decisions on the purchase and sale of fixed assets of the cooperative bank or people's credit fund where the investment level, expected purchase price or book price in case of the sale of fixed assets valued at twenty (20) per cent or more of the charter capital of the cooperative bank or the most recent financial statements in case the people's credit fund is not subject to audit or the ratio is lower as prescribed in the charter of the cooperative bank or the charter of the people's credit fund;
- k) To make decisions on solutions to overcome major financial fluctuations of the cooperative bank or people's credit fund;
- l) To make decisions on the amount of remuneration, bonuses and other benefits of the chairman, other members of the board of management, the head of the board and other members of the board of controllers;
- m) To consider and handle according to the authority of breaches of the board of management and the board of controllers causing loss to the cooperative bank, people's credit fund and members;
- n) To make decisions on the organizational and management structure of the cooperative bank or people's credit fund;
- o) To make decisions to expel members who are other capital-contributing legal entities of the cooperative bank or members of the people's credit fund;
- p) Division, separation, consolidation, merger or voluntary dissolution of the cooperative bank or people's credit fund;
- q) To make decisions on the selection of an independent auditing organization as prescribed in Clause 2, article 82 of this Law;
- r) Other contents proposed by the board of management, the board of controllers or at least one-third of the total number of members;
- s/ Other duties and powers as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 87. *Board of management of a credit institution being a cooperative*

1. The board of management shall be the body managing the co-operative bank or people's credit fund, and shall comprise a chairman and other members of the board of management.

2. The number of members of the board of management for each term shall be decided by the general meeting of members, with at least three (3) members and not more than nine (9) members. Where the board of management does not have the minimum number of members, within 90 days from the date on which the minimum number of members is not met, the cooperative bank or people's credit fund must elect additional members and ensure the minimum number of members, except for the case specified in Clause 5, article 166 of this Law.

3. The term of office of the board of management shall be decided by the general meeting of members and stated in the Charter but not exceeding five (5) years. The term of office of an additional or replacement member of the board of management shall be the residual period of the term of office. The board of management of the term which has recently expired shall continue to operate until the board of management of the new term takes over the work.

The number of terms of office of the chairman of the board of management of the people's credit fund shall be set by the Governor of the State Bank.

4. A member of the board of management must be an individual member or a representative of the capital contribution of a legal entity.

5. The board of management of a cooperative bank shall have a support department. The functions and duties of the support department shall be prescribed by the board of management.

6. The chairman and other members of the board of management may not authorize persons who are not members of the board of management to exercise the rights and perform the obligations of the chairman or other members of the board of management.

7. The board of management shall use the seal of the cooperative bank or the people's credit fund to perform its duties and exercise its powers.

Article 88. *Duties and powers of the board of management of a credit institution being a cooperative*

1. To submit to the general meeting of members for consideration and approval of all of the issues within the authority of the general meeting of members.

2. To organize the implementation of resolutions and decisions of the general meeting of members. To report to the general meeting of members on business results of the cooperative bank or people's credit fund. To take responsibility before the general meeting of members for the performance of their assigned duties and powers in accordance with this Law and the charter of the cooperative bank and the charter of the people's credit fund.

3. To make decisions on the establishment of branches, representative offices and professional units of credit institutions being cooperatives.

4. To pass investment decisions, and decisions on the purchase or sale of fixed assets of the cooperative bank or the people's credit fund where the investment level, expected purchase price or full price in case of sale of fixed assets is valued from 10% to less than 20% of the charter capital of the cooperative bank, or the people's credit fund shall be recorded in the most recent audited financial statements or the most recent financial statements in case the people's credit fund is not subject to audit or the ratio is lower as prescribed in the charter of the cooperative bank or the charter of the people's credit fund.

5. To approve contracts and other transactions of the cooperative bank or people's credit fund with members of the board of management, members of the board of controllers, general directors

(directors) and their related persons. In this case, the relevant member of the board of management does not have voting rights.

6. To appoint, remove, discipline, suspend and make decisions on the amount of remuneration, salaries, bonuses and other benefits of the general director (director), deputy general director (director) and other executives within their authority according to internal rules of the board of management and in accordance with the law.

7. To prepare the agenda of the general meeting of members and convene such meeting.

8. To consider the admission of new members and resolve applications for withdrawal of members from cooperative banks of other capital-contributing legal entities, to settle the members' application for withdrawal from the people's credit fund and report to the general meeting of members at the nearest general meeting of members.

9. To inspect, supervise and direct the general director (director) to perform his/her assigned duties; to evaluate annually the work performance of the general director (director).

10. To issue internal rules related to the organization, management and operation of the cooperative bank and people's credit fund in accordance with the provisions of this Law and other relevant laws, except for those issues within the authority of the general meeting of members.

11. To supervise the implementation of risk prevention measures by the cooperative banks or people's credit fund.

12. Other duties and powers as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 89. *Rights and obligations of the chairman of the board of management of a credit institution being a cooperative*

1. To develop operational programs and plans of the board of management; to take responsibility for the exercise of their rights and obligations.

2. To convene and chair meetings of the board of management.

3. To chair the meeting of the general meeting of members.

4. To assign specific duties to each member of the board of management.

5. To supervise members of the board of management in the performance of their assigned rights, obligations and duties.

6. To ensure that members of the board of management receive complete, objective and accurate information and have sufficient time to discuss all of the issues that the board of management must consider.

7. To take responsibility before the board of management and the general meeting of members for their assigned duties.

8. To sign resolutions and decisions of the board of management on behalf of the board of management.

9. Only authorize another member of the board of management to exercise the rights and perform the obligations of the chairman of the board of management during his absence or inability to perform his duties.

10. Other rights and obligations as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 90. *Rights and obligations of members of the board of management of a credit institution*

1. To exercise the rights and perform the obligations of members of the board of management according to internal regulations of the board of management and the assignment of the chairman of the board of management honestly and carefully, for the benefit of the cooperative bank, or the people's credit fund and members; to take responsibility for the exercise of their rights and obligations.

2. To consider financial statements, audit reports of financial statements; to comment on or request the operators of the cooperative bank, people's credit fund, independent auditors and internal auditors to explain and clarify issues related to the report.

3. To request the chairman of the board of management to convene an extraordinary meeting of the board of management.

4. To participate in meetings of the board of management, discuss and vote on all of the issues falling within the duties and powers of the board of management, to take responsibility to the general meeting of members and the board of management for their decisions.

Where there exists a conflict of interest of a member pertaining to the content on which a vote will take place, that member shall not be permitted to participate in the voting.

5. To implement resolutions and decisions of the general meeting of members and the board of management.

6. To explain to the general meeting of members and the board of management the performance of assigned duties upon request.

7. Other rights and obligations as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 91. *Board of controllers of a credit institution being a cooperative*

1. The board of controllers of a cooperative bank shall have at least three (3) members. The number of members of the board of controllers of the people's credit fund must be consistent with the scale of operation and comply with regulations of the Governor of the State Bank.

2. The board of controllers shall have an internal audit department and a support department to perform its duties.

3. A member of the board of controllers of a cooperative bank must be a representative of the capital contribution of a member being a people's credit fund and an individual nominated by a member being another capital-contributing legal entity. A member of the people's credit fund board of controllers must be an individual member or a representative of the capital contribution of a member of a legal entity of the people's credit fund. Where the board of controllers does not have the minimum number of members as prescribed in Clause 1 of this article, within 90 days from the date on which the minimum number of members is not met, the cooperative bank or people's credit fund must elect additional members and ensure the minimum number of members, except for the case specified in Clause 5, article 166 of this Law.

4. The term of office of the board of controllers follows the term of office of the board of management. The term of office of a member of the board of controllers follows the term of office of the board of controllers. The term of office of an additional or replacement member is the residual term of the term of the board of controllers. The board of controllers of the just expired term shall continue to operate until the board of controllers of the new term takes over the work.

The number of terms of office of the Head of the board of controllers of the people's credit fund shall be set by the Governor of the State Bank.

Article 92. *Duties and powers of the board of controllers of a credit institution being a cooperative*

1. To supervise the management and administration of the cooperative bank and people's credit fund in complying with laws, the charter of the cooperative bank, the charters of people's credit fund and resolutions and decisions of the general meeting of members and the board of management; to take responsibility before the general meeting of members for the performance of their assigned duties and powers in accordance with this Law and the charter of cooperative bank and the charter of people's credit fund.

2. To issue internal rules of the board of controllers; to annually review the internal rules of the board of controllers and internal rules of the cooperative bank or people's credit fund on accounting and reporting.

3. To consider the annual financial statements of the cooperative bank or people's credit fund; to report to the general meeting of members on the results of the appraisal of the financial statements, assessment of reasonableness, legality, truthfulness and prudence in accounting, statistics and preparation of financial statements. The board of controllers may consult with the board of management before submitting reports and recommendations to the general meeting of members.

4. To inspect financial activities, supervise the observance of accounting regimes, profit distribution, settlement of losses, use of funds, assets and state supports; and supervise safety in the operation of the cooperative bank and people's credit fund.

5. To perform the internal audit function; have access to, provide fully, accurately and promptly information and documents related to the management and administration of the cooperative bank and people's credit fund, have the right to use resources of the cooperative bank and people's credit fund to perform their assigned duties and powers; to hire experts, independent consultants and external organizations to perform their duties; to take responsibility for the performance of their duties.

6. To promptly notify the board of management when detecting that managers and executives of the cooperative bank or people's credit fund have committed acts of breaching the law or the charter and internal regulations of the cooperative bank or people's credit fund; to request the violator to immediately stop the breach and take remediation solutions (if any).

7. To convene an extraordinary general meeting of members in accordance with the law.

8. To notify the board of management, report to the general meeting of members and the State Bank of the control results; to propose to the board of management and the general director (director) to remedy weaknesses and violations in the operation of the cooperative bank and people's credit fund.

9. To appoint, remove, discipline, suspend and make decisions on the remuneration, salary and other benefits for positions in the internal audit department.

10. To receive petitions related to the cooperative bank and people's credit fund; to settle according to authority or propose to the board of management or the general meeting of members to settle according to its authority.

11. The head of the board of controllers may attend but shall not be entitled to vote at a meeting of the board of management; to request to record his/her opinion in the minutes of the meeting of the board of management if such opinion differs from the resolution or decision of the board of management and report to the general meeting of members.

12. Other duties and powers as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 93. *Rights and obligations of the head of the board of controllers of a credit institution being a cooperative*

1. To organize the performance of duties and powers of the board of controllers as prescribed in article 92 of this Law; to take responsibility for the exercise of their rights and obligations.

2. To convene and chair a meeting of the board of controllers.

3. To sign documents under the authority of the board of controllers on behalf of the board of controllers.

4. To prepare the working plan of the board of controllers and assign specific duties to each member of the board of controllers.

5. To ensure that members of the board of controllers receive complete, objective and accurate information and have sufficient time to discuss issues that the board of controllers must consider.

6. To supervise and direct the performance of their assigned duties and rights and obligations of members of the board of controllers.

7. To authorize only another member of the board of controllers to exercise the rights and perform the obligations of the head of the board of controllers during his absence or inability to perform his duties.

8. Other rights and obligations as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 94. *Rights and obligations of members of the board of controllers of a credit institution being a cooperative*

1. To comply with the laws, the charter of cooperative banks, the charter of the people's credit fund and internal regulations of the board of controllers honestly and carefully, for the benefit of the cooperative bank, people's credit fund, members of the cooperative bank, the people's credit fund; and to take responsibility for the exercise of their rights and obligations.

2. To request the head of the control committee to convene an extraordinary meeting of the board of controllers.

3. To control business operations, books of accounts, assets, financial statements and propose remedies.

4. To request managers, executives and employees of the cooperative bank or people's credit fund to provide data and explain business operations to perform assigned duties.
5. To report to the head of the board of controllers on unusual financial activities and take responsibility for his/her assessment and conclusions.
6. To participate in meetings of the board of controllers, and discuss and vote on all issues falling within the duties and powers of the board of controllers, except for issues with conflicts of interest with that member.
7. Other rights and obligations as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Article 95. *The general director (director) of a credit institution being a cooperative*

1. The board of management shall appoint the general director (director) of the cooperative bank or the people's credit fund for a term not exceeding five (5) years.
2. The general director (director) is the highest executive and has the task of managing the daily affairs of the cooperative bank or the people's credit fund; he/ she shall supervise and be responsible before the board of management and before the law for the performance of his/her assigned duties and powers.
3. In case of a vacancy of the general director (director), the board of management must appoint a general director (director) within 90 days from the date of vacancy of the general director (director) position.

Article 96. *Rights and obligations of the general director (director) of a credit institution being a cooperative*

1. To submit to the board of management issues within the authority of the board of management.
2. To organize the implementation of resolutions and decisions of the general meeting of members and the board of management.
3. To organize the implementation of business plans; to make decisions on issues related to daily business operations of the cooperative bank or the people's credit fund within their authority.
4. To establish and maintain an effective internal control system.
5. To prepare and submit to the board of management for approval or to report to competent authorities for approval of the financial statements; to take responsibility for the accuracy and truthfulness of financial statements, statistical reports, settlement data and other financial information.
6. To issue according to its authority internal rules and regulations; operational processes and procedures for operating business administration systems and management information systems.
7. To report to the board of management, the board of controllers, the general meeting of members and competent state agencies on the operation and business results of the cooperative bank or people's credit fund.
8. To make decisions to apply measures exceeding his/ her authority in the event of a natural calamity, enemy-inflicted destruction, fire or breakdown and to be liable for such decisions, and to promptly report such decisions to the board of management.

9. To request the board of management to hold an extraordinary meeting.
10. To appoint, remove or dismiss executive positions of the cooperative bank or the people's credit fund, except for positions falling under the decision-making authority of the general meeting of members or the board of management.
11. To enter into contracts or other transactions on behalf of the cooperative bank or the people's credit fund in accordance with the charter and internal regulations of such cooperative bank or people's credit fund.
12. To propose plans on the use of profits and dealing with business losses of the cooperative bank or people's credit fund.
13. To make decisions regarding labour recruitment; to make decisions on the salaries and bonuses of employees according to its authority.
14. Other rights and obligations as prescribed by law and the charter of the cooperative bank and the charter of the people's credit fund.

Section 7. FOREIGN BANK BRANCHES

Article 97. *Organizational and management structure of foreign bank branches*

1. A foreign bank shall make decisions on the organizational structure, management and executive operation of its foreign bank branch in Vietnam in conformity with the law of the country where the head office of such foreign bank is located, and in conformity with the provisions of articles 57 and 59 of this Law on the system of internal control and independent audit; the internal audit shall comply with the regulations of the foreign bank.
2. Where a foreign bank has two or more branches operating in Vietnam and carries out a consolidated finance, cost accounting and reporting system, the foreign bank must authorize one general director(director) to be legally liable for all activities of the foreign bank branches in Vietnam

Article 98. *General director (director) of a foreign bank branch*

1. The general director (director) of a foreign bank branch shall represent the foreign bank branch before the law and shall be the person responsible for all activities of the foreign bank branch and shall executively operate the day-to-day operation in accordance with his or her rights and obligations in compliance with the provisions of this Law and other relevant laws; in case of absence from Vietnam, written authorization must be given to another person residing in Vietnam to exercise the rights and perform the obligations of the general director (director) of the foreign bank branch.
2. The general director (director) of a foreign bank branch shall not participate in management or executive operation of another credit institution or economic organization and shall not be permitted to concurrently be the head of the representative office in Vietnam of the foreign bank.
3. The general director (director) of a foreign bank branch must satisfy the criteria and conditions stipulated in clause 4, articles 41 of this Law. The person proposed to be appointed as the general director(director) of a foreign bank branch must be approved by the State Bank before appointment. Documents and procedures for approval of persons expected to be appointed as general directors (directors) of foreign bank branches, and notification of appointees shall comply with the provisions of Clauses 2 and 3, article 44 of this Law.

Chapter V

OPERATIONS OF CREDIT INSTITUTIONS AND FOREIGN BANK BRANCHES

Section 1. GENERAL REGULATIONS ON THE OPERATION OF CREDIT INSTITUTIONS

Article 99. *Scope of permissible activities of credit institutions*

1. The State Bank shall, in the licence issued to each credit institution, specifically regulate the scope, form and contents of the banking operation and other business activities of each such credit institution.

2. The banking operations and other business activities of credit institutions specified in this Law shall comply with regulations of the Governor of the State Bank.

Article 100. *Interest rates and fees in business activities of credit institutions*

1. A credit institution has the right to set its interest rates for raising capital and must publicly post the capital mobilization interest rate and service provision fee in the credit institution's business operations.

2. A credit institution and clients have the right to agree, in accordance with law, on interest rates and fees for extension of credit during the banking operation of the credit institution.

3. In the case of any abnormal fluctuation in banking activities, the State Bank has the right, in order to ensure the safety of the credit institution system, to provide a mechanism for fixing fees and interest rates during business activities of credit institutions.

Article 101. *Internal rules*

1. A credit institution must, based on this Law, regulations of the Governor of the State Bank and other relevant laws, develop and issue internal rules applicable to professional activities and services of the credit institution, including carrying out professional activities by electronic means, ensuring there are mechanisms for internal control and audit and risk control associated with each professional business procedure, and also ensuring that plans for dealing with emergency situations are available.

2. A credit institution must promulgate internal rules on the following contents:

- a) Regulations on extension of credit and management of loan monies to ensure that loans are used for the proper purpose;
- b) Regulations on classification of current assets, and on establishment and use of risk reserves;
- c) Regulations on evaluation of quality of current assets and compliance with minimum capital adequacy ratios;
- d) Regulations on control of liquidity, including procedures and limits on control of liquidity;
- dd) Regulations on an internal control system and an internal audit mechanism appropriate for the operational nature and size of the credit institution;
- f) The internal credit rating system for credit institutions must build an internal credit rating system in accordance with the *Law On Credit Institutions*;
- g) Regulations on risk control during the operation of the credit institution;
- h) Regulations regarding anti-money laundering;

i) Regulations on plans for dealing with emergency situations.

3. A credit institution must send to the State Bank internal regulations specified in Clause 2 of this article within 10 days from the date of promulgation.

Article 102. *Credit extension approval, inspection of use of loans, financial leasing assets*

1. A credit institution must require a client to provide data proving it has a feasible plan on use of capital and financial capability, a lawful capital use purpose, and measures to secure the loan before the credit institution makes a decision approving the extension of credit except for the case specified in clause 2 of this article.

2. A credit institution must have at a minimum, information on the lawful capital use purposes and financial capabilities of clients before making a decision to extend credit for credit grants of the following small value:

a) Loans for cost-of-living needs, credit grants via cards of commercial banks or foreign bank branches;

b) Financial leases, consumer loans, credit grants via cards of non-bank credit institutions;

c) Loans serving the people's credit fund cost of living needs;

d) Loans of microfinance institutions.

3. A client must provide information, documents and data as prescribed in Clauses 1 and 2 of this article and information about related persons to a credit institution when applying for a credit issue.

4. A credit institution must consider approval of extension of credit on the principle of identification of responsibilities between the stage of conducting assessment and the stage of making a decision approving extension of credit.

5. Credit institutions have the right and obligation to inspect and supervise the use of loans, financial leasing assets and debt repayment of clients specified in Clause 1 of this article; have the right to request borrowers and financial tenants to report on the use of borrowed capital and financial leasing assets and provide documents and data proving that borrowed capital and financial leasing assets are used for proper purposes.

6. Customers are obliged to use loans and financial leasing assets for the correct loan purposes, repay principal, interest and fees in full and on time as agreed.

7. Credit institutions and clients shall agree on the application or non-application of security measures in credit issuing activities.

8. The Governor of the State Bank shall stipulate the small value of credit issued, the examination and supervision of the use of loans, financial leasing assets and debt repayment of clients specified in Clause 2 of this article; The identification of clients must provide information about relevant persons and the contents of information must be provided to credit institutions when applying for extension of credit, and the approval of extension of credit by electronic means.

Article 103. *Termination of extension of credit, debt settlement, and interest exemption and reduction*

1. A credit institution has the right to terminate an extension of credit and recover a debt prior to the due date when it discovers that the client provided incorrect information or committed a breach of the provisions in the loan contract, credit issue agreements or security contracts.

2. If a client fails to make repayment of a loan on the due date, the credit institution has the right, unless otherwise agreed by the two parties, to deal with the debt and security assets for the loan in accordance with the loan contract, the security agreement and provisions of law. Restructuring of terms for repayment of debt and sale and purchase of debts by credit institutions shall be implemented in accordance with regulations of the Governor of the State Bank.

3. Where a client or guarantor fails to pay a debt due to bankruptcy, the debt recovery of the credit institution shall be implemented in accordance with the law on bankruptcy.

4. A credit institution shall have the right to make decisions exempting or reducing interest rates and fees for clients in accordance with its own internal rules.

Article 104. *Maintenance of credit records*

1. Credit institutions must maintain loan files, including:

- a) Documents and data on extension of credit applications;
- b) Documents and data on appraisal and decisions on credit extension;
- c) Credit contracts and agreements; records of security measures in case security measures are applied;
- d) Documents and data arising during the use of credit related to credit extension contracts or agreements.

2. The time limit for storing loan files and records shall comply with the provisions of the law on archiving.

Article 105. *Electronic transactions in the operation of credit institutions*

Operations of credit institutions shall be carried out by electronic means in accordance with regulations of the Governor of the State Bank and the law on electronic transactions.

Article 106. *Controlled testing mechanism in the banking sector*

1. The controlled testing mechanism in the banking sector is an environment for testing the application of technology and deploying new products, services, and business models in the banking sector with limited scope, space and time for implementation; organizations participating in the controlled testing mechanism must satisfy the conditions and criteria for participation approval and be subject to supervision by competent state agencies.

2. The Government shall provide further detail for the implementation of this article.

Section 2. OPERATIONS OF COMMERCIAL BANKS

Article 107. *Banking operations of commercial banks*

[Commercial banks are permitted to conduct the following banking activities:]

- 1. Receipt of demand deposits, time deposits, savings deposits and other types of deposits.
- 2. Issuance of certificates of deposit.
- 3. Extension of credit in the following forms:
 - a) Loans;
 - b) Discounts and rediscounts of negotiable instruments and other valuable papers;

- c) Bank guarantees;
- d) Issuance of credit cards;
- dd) Domestic factoring; international factoring applicable to banks authorized to conduct international payments;
- e) Letter of credit;
- g) Other forms of credit issue as prescribed by the Governor of the State Bank.

4. Open payment accounts for clients.

5. Provision of payment facilities.

6. Provision of the following payment services via accounts:

- a) Providing domestic payment services including cheques, payment orders, payment authorizations, collections, collection authorizations, money transfers, bank cards, collection and payment services;

Provision of domestic payment services comprising cheques, payment orders, authorized payment orders, collection, collection orders, money transfers, bank cards, and collection and disbursement [payment] services

- b) Provision of international payment services and other payment services upon obtaining approval from the State Bank; other payment services as prescribed by the Governor of the State Bank.

Article 108. *Borrowing, depositing, buying and selling valuable papers of commercial banks*

1. Commercial banks may borrow loans from the State Bank in the form of refinancing in accordance with the *Law on the State Bank of Vietnam*.

2. Commercial banks may buy and sell valuable papers with the State Bank in accordance with the *Law on the State Bank of Vietnam*.

3. Commercial banks may lend, borrow, send money, receive deposits, buy and sell valuable papers with credit institutions and foreign bank branches according to regulations of the Governor of the State Bank.

4. Commercial banks are permitted to borrow using foreign loans in accordance with the law.

Article 109. *Opening a commercial bank account*

1. A commercial bank must open a current account at the State Bank and maintain the compulsory reserve amount on this account.

2. A commercial bank may open a current account at credit institutions that are provided payment services via accounts.

3. A commercial bank may open a current account abroad in accordance with the *Law On Foreign Exchange*.

Article 110. *Organization and participation in payment systems of commercial banks*

1. Commercial banks are permitted to organize their internal payment [systems] and participate in the national inter-bank payment system.

2. Commercial banks shall be permitted to participate in the international payment system when satisfying conditions prescribed by the Government and approved in writing by the State Bank.

3. The Governor of the State Bank shall prescribe documents and procedures for approval of commercial banks participating in the international payment system.

Article 111. *Capital contribution and purchase of shares of commercial banks*

1. Commercial banks shall only be permitted to use their charter capital and other reserve funds to contribute capital and purchase shares in accordance with the provisions of clauses 2, 3, 4 and 8 of this article.

2. A commercial bank must establish or acquire a subsidiary company or affiliated company to carry out the following business activities:

a) Underwrite securities issues, securities broking; manage and distribute securities investment fund certificates; manage securities investment portfolios, and sell and purchase shares;

b) Financial leasing;

c) Insurance.

3. A commercial bank is permitted to establish or acquire a subsidiary company or affiliated company to operate in the sectors of management of debts and exploitation of assets, receipt of foreign currency remitted by Vietnamese abroad, trading of foreign exchange or gold, factoring, issuance of credit cards, consumer credit, and services of payment intermediary and credit information.

4. Commercial banks may contribute capital to or purchase shares of enterprises operating in the following sectors:

a) Insurance, securities, receipt of foreign currency remitted by Vietnamese abroad, trading of foreign exchange or gold, factoring, credit card issuance, consumer credit, payment intermediary services and credit information;

b) Other sectors not specified at Point a of this Clause after obtaining the written approval of the State Bank.

5. Commercial banks shall establish or acquire subsidiaries and associated companies as prescribed in Clauses 2 and 3 of this article after obtaining the written approval of the State Bank.

6. The Governor of the State Bank shall prescribe conditions, documents and procedures for approval of the establishment and acquisition of subsidiaries and associated companies and the capital contribution and purchase of shares of commercial banks; conditions for capital increase at subsidiaries and affiliated companies of commercial banks; activities of subsidiaries and affiliated companies of commercial banks in the field of debt management and asset exploitation.

7. Commercial banks shall establish subsidiaries and associated companies in accordance with this Law and other relevant laws.

8. Commercial banks and subsidiaries of commercial banks may purchase or hold shares of other credit institutions under conditions and within the limits prescribed by the Governor of the State Bank.

Article 112. *Foreign exchange trading, provision of foreign exchange services and derivative products by commercial banks*

1. Commercial banks may conduct business in and provide domestic and foreign clients with the following services and products after obtaining written approval from the State Bank:

- a) Foreign exchange;
- b) Derivatives in relation to exchange rates, interest rates, foreign exchange, currency and other financial assets.

2. The Governor of the State Bank shall stipulate the scope of foreign exchange trading, provision of foreign exchange services, trading in and supply of derivative products; conditions, documents and procedures for approval of foreign exchange trading, provision of foreign exchange services, and trading in and supply of derivative products by commercial banks.

3. Foreign exchange trading and provision of foreign exchange services by commercial banks to clients shall be conducted in accordance with the law on foreign exchange.

Article 113. *Fiduciary and agency operations, assigning agents of commercial banks*

1. Commercial banks are permitted to entrust others to act as trustee and agent in banking operations and assign payment agents according to regulations of the Governor of the State Bank.

2. Commercial banks may carry out insurance agency activities in accordance with the law on insurance business, in accordance with the scope of insurance agency activities as prescribed by the Governor of the State Bank.

Article 114. *Other business activities of commercial banks*

1. Commercial banks may conduct the following other business activities as prescribed by the Governor of the State Bank:

- a) The provision of cash management services, treasury services for credit institutions and foreign bank branches, asset management and preservation services, safe leasing, safe-keeping services (safety deposit box);
- b) The provision of money transfer, collection, payment and other non-account payment services;
- c) The purchase and sale of State Bank bills and corporate bonds; the purchase and sale of other papers, except for the purchase and sale of papers with prices specified at Point a, Clause 2 of this article;
- d) Currency brokerage services;
- dd) Gold trading;
- e) Other services related to factoring and letters of credit;
- g) Advising on banking operations and other business operations specified in the license.

2. Commercial banks may conduct the following other business operations in accordance with relevant laws:

- a) The purchase and sale of government debt instruments, government-guaranteed bonds and local government bonds;
- b) Bond issuance;
- c) Securities depository;
- d) Custodial banking operations;

dd) Agents managing collateral for lenders being international financial institutions, foreign credit institutions, credit institutions and foreign bank branches.

3. Commercial banks may conduct other business operations related to banking operations other than those specified in Clauses 1 and 2 of this article in accordance with regulations of the Governor of the State Bank and other relevant laws.

Section 3. ACTIVITIES OF GENERAL FINANCE COMPANIES

Article 115. *Banking operations of general finance companies*

1. **Receipt of demand deposits and time deposits of organizations.**
2. Issuance of certificates of deposit to raise capital of the organization.
3. Provision of loans including loans for payment by instalment and consumer loans.
4. Bank guarantees.
5. Discounts and rediscounts of negotiable instruments and other valuable papers.
6. Issuance of credit cards, factoring, finance leasing and other forms of extension of credit after obtaining approval from the State Bank.
7. Other forms of credit issuance as prescribed by the Governor of the State Bank.

Article 116. *Borrowing, depositing, buying and selling valuable papers of general finance companies*

1. General finance companies may borrow from the State Bank in the form of refinancing in accordance with the *Law on the State Bank of Vietnam*.
2. General finance companies may buy and sell valuable papers with the State Bank in accordance with the *Law on the State Bank of Vietnam*.
3. General finance companies may lend, borrow, send money, receive deposits, buy and sell valuable papers on term with credit institutions and foreign bank branches according to regulations of the Governor of the State Bank.
4. General finance companies may take on foreign loans in accordance with the law.

Article 117. *Opening an account with a general finance company*

1. General finance companies receiving deposits must open current accounts at the State Bank and maintain compulsory reserve amounts on this account.
2. General finance companies may open current accounts at commercial banks and foreign bank branches.
3. General finance companies licensed to issue credit cards may open accounts at foreign banks in accordance with the law on foreign exchange.
4. General finance companies may open deposit accounts and loan management accounts for clients.

Article 118. *Capital contribution and share purchase of general finance companies*

1. General finance companies may only use their charter capital and reserve funds to contribute capital or purchase shares as prescribed in Clauses 2 and 3 of this article.

2. General finance companies may only contribute capital to or purchase shares in enterprises or investment funds.

3. General finance companies may only establish or acquire subsidiaries or associated companies operating in the sectors of insurance, securities, debt management and asset exploitation after obtaining written approval from the State Bank.

4. The Governor of the State Bank shall prescribe conditions, documents and procedures for approval of the establishment and acquisition of subsidiaries and affiliated companies of general finance companies; conditions for capital increase at subsidiaries and affiliated companies of general finance companies; activities of subsidiaries and affiliates of general finance companies in the sector of debt management and asset exploitation.

5. General finance companies shall establish subsidiaries and associated companies in accordance with this Law and other relevant laws.

Article 119. *Other business activities of general finance companies*

1. General finance companies may conduct the following other business activities according to regulations of the Governor of the State Bank:

a) To receive entrusted capital from organizations and individuals to carry out permitted credit extension activities; to entrust capital to another credit institution to carry out credit extension activities of that general finance company;

b) To purchase and sell State Bank bills and corporate bonds; to purchase and sell other valuable papers, except for the purchase and sale of papers with prices specified at Point a, Clause 2 of this article;

c) Foreign exchange trading and the provision of foreign exchange services;

d) The provision of services for management and preservation of assets of clients;

dd) Other services related to factoring;

e) Provision of consultancy services on banking operations and other business activities specified in the license.

2. General finance companies may conduct the following other business activities in accordance with relevant laws:

a) The purchase and sale of government debt instruments, government-guaranteed bonds and local government bonds;

b) The issuance of bonds to raise capital for the organization;

c) Acting as insurance agents in accordance with the *Law On Insurance Business*, in accordance with the scope of insurance agency activities as prescribed by the Governor of the State Bank.

3. General finance companies may conduct other business activities related to banking operations other than those specified in Clauses 1 and 2 of this article in accordance with regulations of the Governor of the State Bank and other relevant laws.

Section 4. ACTIVITIES OF SPECIALIZED FINANCE COMPANIES

Article 120. *Banking activities of specialized finance companies*

1. Finance factoring companies may carry out the following banking operations:

- a) Factoring;
 - b) Banking operations specified in Clauses 1, 2, 3, 5 and 7, article 115 of this Law.
2. Consumer credit finance companies may conduct the following banking operations:
- a) Issuance of credit cards;
 - b) Banking operations specified in Clauses 1, 2, 3, 5 and 7, article 115 of this Law.
3. Financial leasing companies may carry out the following banking operations:
- a) Financial leasing;
 - b) Banking operations specified in Clauses 1, 2, 3 and 7, article 115 of this Law;
 - c) Purchase and sublease in the form of financial leasing.
4. *Financial leasing means* the issuing of medium-term and long-term credit on the basis of a financial leasing contract and must satisfy one of the following conditions:
- a) At the end of the lease term under the contract, the lessee may transfer ownership of the leased asset or continue to lease as agreed upon by the two parties;
 - b) At the end of the lease term under the contract, the lessee is entitled to give priority to purchase the leased asset at a nominal price lower than the actual value of the leased asset at the time of redemption;
 - c) The lease term of an asset must be at least equal to 60% of the time required for depreciation of such leased asset;
 - d) The total rental amount of an asset specified in the financial leasing contract must be at least equal to the value of that asset at the time of signing the contract.
5. specialized finance companies must maintain the ratio of outstanding loans for main credit extension activities to total credit extension balances according to regulations of the Governor of the State Bank.

Article 121. *Borrowing, depositing, buying and selling valuable papers of specialized finance companies*

The borrowing, lending, sending money, receiving deposits, buying and selling valuable papers of specialized finance companies shall comply with the provisions of article 116 of this Law.

Article 122. *Opening an account of a specialized finance company*

- 1. The opening of an account of a specialized finance companies shall comply with the provisions of Clauses 1, 2 and 4, article 117 of this Law.
- 2. Consumer credit finance companies that issue credit cards may open accounts at foreign banks in accordance with the law on foreign exchange.

article 123. *Capital contribution and purchase of shares of specialized finance companies*

- 1. specialized finance companies may only use their charter capital and reserve funds to contribute capital or purchase shares as prescribed in Clauses 2 and 3 of this article.
- 2. specialized finance companies may only contribute capital to or purchase shares of enterprises operating in the field of debt management and asset exploitation.

3. specialized finance companies may only establish or acquire subsidiaries or associated companies operating in the field of debt management and asset exploitation after obtaining the written approval of the State Bank.

4. The Governor of the State Bank shall prescribe conditions, documents and procedures for approval of the establishment and acquisition of subsidiaries and affiliated companies of specialized finance companies; conditions for capital increase at subsidiaries and affiliated companies of specialized finance companies; activities of subsidiaries, affiliated companies of specialized finance companies in the field of debt management and asset exploitation.

5. specialized finance companies shall establish subsidiaries and affiliated companies in the field of debt management and asset exploitation in accordance with this Law and other relevant laws.

Article 124. *Other business operations of specialized finance companies*

1. specialized finance companies may conduct the following other business operations according to regulations of the Governor of the State Bank:

- a) To receive entrusted capital to carry out permitted credit extension activities;
- b) To entrust capital to other credit institutions to provide loans and issue principal credit to such specialized finance companies;
- c) To purchase and sell State Bank bills and certificates of deposit issued domestically by credit institutions and foreign bank branches;
- d) Foreign exchange trading and the provision of foreign exchange services;
- dd) Advising on banking operations and other business operations specified in the license;
- e) For a finance leasing company, operating leases are permitted provided that the total value of assets for operating leased assets must not exceed 30% of the total assets of the financial leasing company;
- g) For factoring finance companies, the provision of other factoring-related services.

2. specialized finance companies may conduct the following other business operations in accordance with relevant laws:

- a) The purchase and sale of government debt instruments, government-guaranteed bonds and local government bonds;
- b) The issuance of bonds to raise capital for the organization;
- c) Acting as insurance agents in accordance with the law on insurance business, in accordance with the scope of insurance agency activities as prescribed by the Governor of the State Bank.

3. specialized finance companies may conduct other business operations related to banking operations other than those specified in Clauses 1 and 2 of this article in accordance with regulations of the Governor of the State Bank and other relevant laws.

Section 5. OPERATION OF CREDIT INSTITUTIONS THAT ARE COOPERATIVES

Article 125. *Operation of cooperative banks*

1. Cooperative banks shall carry out the following activities:

- a) To reconcile capital and conduct banking operations for people's credit funds. Capital reconciliation activities of cooperative banks mean activities of lending and receiving deposits of people's credit funds;
 - b) A number of banking operations and other business operations specified in Section 2 of this Chapter;
 - c) To support the development of products, services and professional training for the people's credit fund;
 - d) To inspect and supervise the people's credit fund;
 - dd) Internal audit of people's credit funds in case of necessity;
 - e) Appoint personnel who meet the criteria and conditions to hold the positions of chairman of the board of management, director and other managerial and executive positions of the people's credit fund at the request of the State Bank.
2. Cooperative banks shall manage and use funds to ensure the safety of the people's credit fund system.
3. The Governor of the State Bank shall detail Clause 1 of this article and the deduction, management and use of funds to ensure the safety of the people's credit fund system.

Article 126. *Operation of the people's credit fund*

- 1. The people's credit fund shall receive deposits in Vietnamese Dong.
- 2. The people's credit fund shall provide loans in Vietnamese Dong.
- 3. The people's credit fund shall provide money remittance services, and conduct payment and collection activities for members and clients of such people's credit fund, except for opening payment accounts for clients.
- 4. Other business operations of the people's credit fund shall include:
 - a) To receive entrusted loan capital from organizations and individuals;
 - b) To act as agents providing payment services to cooperative banks for members and clients of such people's credit funds;
 - c) To borrow and deposit money at cooperative banks; to provide loans to credit institutions and foreign bank branches. People's credit funds are not permitted to lend or send money to other people's credit funds;
 - d) To Participation in capital contribution for establishment of a co-operative bank;
 - dd) To open current accounts at the State Bank, commercial banks, cooperative banks and foreign bank branches;
 - e) To act as agents in a number of sectors related to banking activities and asset management;
 - g) To act as insurance agents in accordance with the law on insurance business, in accordance with the scope of insurance agency activities as prescribed by the Governor of the State Bank;
 - h) Provision of consultancy services to its members on banking operations and other business operations specified in the license.

5. The Governor of the State Bank shall provide further detail for the implementation of this article and provide specific regulations in the licence of each people's credit fund on the locality of operation of such credit fund.

Section 6. OPERATION OF MICROFINANCE INSTITUTIONS

Article 127. *Banking operations of microfinance institutions*

1. Microfinance institutions shall receive deposits in Vietnamese Dong in the following forms:

- a) Compulsory savings according to regulations of the microfinance institution;
- b) Deposits of organizations and individuals, including voluntary deposits of clients of the microfinance institution, except deposits for the purposes of making payments.

2. A microfinance institution shall only be permitted to extend credit in Vietnamese Dong in the form of loans. Extension of credit by the micro-finance institution may be secured by compulsory savings or guarantees of the group of clients making savings and borrowing funds.

3. A micro-finance institution must maintain a ratio of its total aggregate balance of extended credit to individuals and households earning a low income and to super-small enterprises over its total balance of extended credit at no less than the ratio stipulated by the State Bank; with a maximum loan balance for one client.

4. The Governor of the State Bank shall provide further detail for the implementation of this article and the identification of clients as low-income individuals and households.

Article 128. *Opening accounts by a microfinance institution*

1. Microfinance institutions may open current accounts at the State Bank, commercial banks and foreign bank branches.

2. Microfinance institutions may not open current accounts for clients.

Article 129. *Borrowing, depositing money of microfinance institutions*

1. Microfinance institutions may borrow, send money or receive deposits with credit institutions and foreign bank branches according to regulations of the Governor of the State Bank.

2. Microfinance institutions may borrow in the form of foreign loans in accordance with the law.

Article 130. *Other business activities of microfinance institutions*

1. Other business activities of microfinance institutions shall include:

- a) Entrust capital, receiving entrusted loan capital from organizations and individuals;
- b) Agents providing payment services to banks for clients of such microfinance institutions;
- c) Provide payment and collection services and money remittance on behalf of their micro-finance clients;
- d) Act as insurance agents in accordance with the *Law On Insurance Business*, in accordance with the scope of insurance agency activities as prescribed by the Governor of the State Bank;
- dd) Provide consultancy services on banking operations and other business operations specified in the license.

2. The Governor of the State Bank shall provide further detail for the implementation of this article.

Section 7. OPERATIONS OF FOREIGN BANK BRANCHES

Article 131. *Operations of foreign bank branches*

1. Foreign bank branches may carry out activities as prescribed in Sections 1 and 2 of this Chapter, except for the following activities:

- a) Activities specified in article 111 of this Law;
- b) Activities that the parent bank of a foreign bank branch is not permitted to carry out in the country where its head office is located.

2. Foreign bank branches may provide a number of foreign exchange services on the international market to clients in Vietnam in accordance with the law on foreign exchange.

Chapter VI

FOREIGN REPRESENTATIVE OFFICES

Article 132. *Establishment of foreign representative offices*

Foreign credit institutions and other foreign organizations engaged in banking operations are permitted to establish representative offices in provinces or centrally-run cities in the territory of Vietnam. In each province or city under central authority, foreign credit institutions and other foreign organizations engaged in banking operations are only permitted to establish one representative office.

Article 133. *Activities of foreign representative offices*

Foreign representative offices may carry out the following activities as stipulated in its license:

- 1. Exercise of the function of a liaison office;
- 2. Market research;
- 3. Facilitation of investment projects of the foreign credit institution or other foreign institution engaged in a banking operation in Vietnam;
- 4. Activating and monitoring the performance of contracts and agreements signed between the foreign credit institution or other foreign institution engaged in a banking operation and Vietnamese credit institutions and Vietnamese enterprises, or of projects funded by the foreign credit institution or other foreign institution engaged in a banking operation in Vietnam
- 5. Other activities in accordance with the law of Vietnam.

Chapter VII

RESTRICTIONS TO ENSURE SAFETY DURING THE OPERATION OF CREDIT INSTITUTIONS AND FOREIGN BANK BRANCHES

Article 134. *Entities to whom extension of credit is not permitted*

1. Credit institutions and foreign bank branches may not extend credit to the following organizations or individuals:

- a) members of the board of management, members of the members' council, members of the board of controllers, general director (director), deputy general director (deputy director) and equivalent positions as prescribed in the charter of that credit institution; the general director (director), the deputy general director (director) of that foreign bank branch; a legal entity being a shareholder

whose representative of contributed capital is a member of the board of management, a member of the board of controllers of a credit institution being a joint-stock company; or a legal entity being a capital-contributing member or the owner of a credit institution being a limited liability company;

b) Parent, spouse, father, mother, child, brother, sister and brother of a member of the board of management, a member of the members' council, a member of the board of controllers, the general director (director), deputy general director (deputy director) and equivalent positions as prescribed in the charter of that credit institution; general director (director), deputy general director (director) of that foreign bank branch.

2. The provisions of Clause 1 of this article do not apply to people's credit funds and cases of extending credit in the form of issuance of credit cards to individuals.

3. A credit institution or foreign bank branch is not permitted to extend credit to clients on the basis of security provided by any of the subjects specified in clause 1 of this article. A credit institution or a foreign bank branch is not permitted to provide security in any form in order for another credit institution to extend credit to any of the subjects stipulated in clause 1 of this article.

4. A credit institution may not extend credit to an enterprise operating in the securities business sector that is a subsidiary or associate company of that credit institution.

5. A credit institution is not permitted to extend credit on the basis of receiving security in shares of a credit institution or its subsidiaries or affiliated companies.

6. Credit institutions and foreign bank branches are not permitted to extend credit for capital contribution or purchase of shares of credit institutions.

7. Extension of credit as prescribed in clauses 1, 3, 4, 5 and 6 of this article includes activities of purchase of and investment in enterprise bonds.

Article 135. *Restrictions of the extension of credit*

1. A credit institution or foreign bank branch is not permitted to extend unsecured credit or to extend credit on preferential conditions to the following organizations and individuals:

a) The auditing organization and auditors currently conducting an audit at such credit institution or foreign bank branch; or inspection decision makers, members of inspection teams, persons supervising inspection teams currently conducting an inspection at the credit institution or foreign bank branch;

b) The chief accountant of a credit institution or foreign bank branch, the chairman or other members of the board of management, the head or other member of the board of controllers, directors, deputy directors and equivalent positions of a people's credit fund;

c) Major shareholders and founding shareholders of such credit institution;

d) An enterprise where one of the subjects specified in Clause 1, article 134 of this Law owns more than 10% of the charter capital of that enterprise;

dd) The person appraising and approving credit extension at such credit institution or branch of a foreign bank, except for the case of extending credit in the form of issuing credit cards to individuals;

e) Subsidiaries or affiliated companies of such credit institution, except for the case of extending credit to a subsidiary being a compulsorily transferred credit institution.

2. The total outstanding amount of credit for the subjects specified at Points a, b, c, d and dd, Clause 1 of this article **must not exceed five percent (5%) of the own capital of the credit institution or foreign bank branch.**

3. The extension of credit to the subjects specified in Clause 1 of this article must be approved by the board of management and the members' council of the credit institution, except for the extension of credit to the subjects specified at Point dd, Clause 1 of this article in accordance with regulations of the Governor of the State Bank. The extension of credit must be publicized in credit institutions and foreign bank branches.

4. The total outstanding amount of credit extended to an entity specified at Point e, Clause 1 of this article must not exceed 10% of the own capital of a credit institution; for all subjects specified at Point e, Clause 1 of this article, it must not exceed 15% of the own capital of the credit institution.

5. **The total outstanding amount of credit specified in Clause 2 of this article includes the total amount of purchase, holding and investment in bonds issued** by the subjects specified at Points a, c and d, Clause 1 of this article; the total amount of credit outstanding specified in Clause 4 of this article includes the total amount of purchase, holding and investment in bonds issued by the subjects specified at Point e, Clause 1 of this article.

Article 136. *Limits on extension of credit*

1. The total balance of extension of credit to a single client or a client and related persons of that client of a commercial bank, cooperative bank, foreign bank branch, people's credit fund or microfinance institution must not exceed the following ratio:

a) **From the effective date of this Law to before 1 January 2026: 14% of own capital for a client; 23% of own capital for a client and its related persons;**

b) From 1 January 2026 to before 1 January 2027: 13% of own capital for a client; 21% of own capital for a client and its related persons;

c) From 1 January 2027 to before 1 January 2028: 12% of own capital for a client; 19% of own capital for a client and its related persons;

d) From 1 January 2028 to before 1 January 2029: 11% of own capital for a client; 17% of own capital for a client and its related persons;

dd) From January 1, 2029: 10% of own capital for one client; 15% of own capital for a client and its related persons.

2. The total balance of extension of credit to a client must not exceed 15% of the own capital of a non-bank credit institution; and the total balance of extension of credit made to a single client and related persons must not exceed 25% of the own capital of the non-bank credit institution.

3. The total balance of extension of credit to a client specified in Clause 1 or Clause 2 of this article does not include loans from entrusted capital sources of the government, organizations or individuals to which the entrusted credit institution or foreign bank branch does not bear risks or where the borrower is a credit institution or other foreign bank branches.

4. The balance of extension of credit to a client specified in Clause 1 or Clause 2 of this article includes the total amount of purchase, holding and investment in bonds issued by such clients and related persons.

5. Limits and conditions for extending credit for investment in and trading in stocks and corporate bonds of credit institutions and foreign bank branches shall comply with regulations of the Governor of the State Bank.

6. Where the need for capital of a single client and related persons exceeds the limit on extension of credit stipulated in clauses 1 and 2 of this article, then the credit institution or foreign bank branch shall be permitted to extend **syndicated credit** in accordance with regulations of the Governor of the State Bank.

7. In a **special case** and in order to implement socio-economic tasks where the capacity of credit institutions and foreign bank branches to extend syndicated credit is unable to satisfy the requirement for a loan to a single client, the Prime Minister of the Government may make a decision on a maximum extension of credit exceeding the limits specified in clauses 1 and 2 of this article on a case-by-case basis.

The Prime Minister of the Government shall provide regulations on the conditions, application file and sequence for requesting approval of an extension of credit exceeding the limits prescribed in clauses 1 and 2 of this article.

8. The total amount of syndicated credit extended by any one credit institution or foreign bank branch as stipulated in clause 7 of this article shall not exceed four times the equity of such credit institution or foreign bank branch.

9. The credit card limit for individuals specified in Clause 1, article 134 and Point dd, Clause 1, article 135 of this Law shall comply with regulations of the Governor of the State Bank.

Article 137. *Limits on capital contribution and share purchase*

1. The level of capital contribution to, or share purchase in any one enterprise operating in the sectors specified in clause 4, article 111 of this Law by a commercial bank and its subsidiary companies and affiliated companies shall not exceed eleven per cent (11%) of the charter capital of the enterprise receiving such capital contribution

2. The total level of capital contribution to, or share purchase in, enterprises by a commercial bank including its subsidiary companies and affiliated companies as prescribed in Clauses 2, 3, 4 and 8, article 111 of this Law shall not exceed forty per cent (40%) of the charter capital and reserve funds of the commercial bank

3. The level of capital contribution to, or share purchase in, any one enterprise by a finance company and its subsidiary companies and affiliated companies in accordance with clause 2, article 118 and clause 2, article 123 of this Law shall not exceed eleven per cent (11%) of the charter capital of the enterprise receiving such capital contribution.

4. The total level of capital contribution to, or share purchase in, enterprises by a finance company including its subsidiary companies and affiliated companies in accordance with Clauses 2 and 3, article 118, Clauses 2 and 3, article 123 of this Law shall not exceed forty per cent (40%) of the charter capital and reserve funds of the finance company.

5. **A credit institution and subsidiaries is not permitted to contribute capital to or purchase shares in any of the following enterprises or credit institutions:**

a) Other enterprises and credit institutions which are **shareholders or capital-contributing members** of that credit institution;

b) Other enterprises and credit institutions which are **related persons of major shareholders or capital-contributing members of such credit institution**.

6. The level of capital contribution or share purchase specified in Clauses 1 and 3 of this article does not include the level of capital contribution or share purchase of a fund management company being a subsidiary or associate company of a commercial bank or financial company into an enterprise from a fund managed by that company.

Article 138. *Prudential ratios*

1. A credit institution or foreign bank branch must maintain the following prudential ratios:

a) Solvency ratio;

b) The minimum capital adequacy ratio of eight per cent (8%) or a higher percentage as stipulated by the Governor of the State Bank in each period;

c) The maximum foreign currency and gold status compared to own capital;

d) The ratio of purchase, holding and investment of government bonds and in government guaranteed bonds.

dd) Other prudential ratios.

2. A commercial bank or foreign bank branch participating in the national inter-bank payment system must hold the minimum amount of valuable papers permitted to be pledged in accordance with State Bank regulations from time to time.

3. The Governor of the State Bank shall prescribe the safety ratio specified in Clause 1 of this article for each type of credit institution and foreign bank branch .

4. The total amount of capital which a credit institution has invested in any other credit institution or subsidiary companies of the credit institution by way of capital contribution or share purchase and investments by way of capital contribution or share purchase in order to control enterprises operating in the banking, insurance or securities sectors must be subtracted from its equity when calculating prudential ratios

Article 139. *Real estate business*

A credit institution is not permitted to conduct real estate business, except for the following cases:

1. Purchasing, investing or owning real estate to use as its business head office, working location or warehouse directly servicing the professional activities of the credit institution

2. Leasing out an unused part of the business head office owned by the credit institution

3. Holding real estate resulting from realization of loan debts. Within five (5) years from the date of the decision to dispose of the secured property being real estate, the credit institution must sell, transfer or acquire this real estate. In case of acquisition of real estate, it must ensure the use purpose specified in Clause 1 of this article and the investment rate in fixed assets specified in Clause 3, article 144 of this Law.

Article 140. *Requirements to ensure the safety of electronic transactions in banking operations*

Credit institutions and foreign bank branches must ensure the safety and confidentiality of electronic transactions in banking activities in accordance with regulations of the Governor of the State Bank and the *Law On Electronic Transactions*.

Article 141. *Rights and obligations of the controlling company*

[A controlling company has the following rights and obligations:]

1. Exercise its rights and discharge its obligations as a capital contributing company, the owner or shareholder in the relationship with the subsidiary company or affiliated company in accordance with the provisions of this Law and other relevant laws.
2. Contracts, transactions and other relationships between the controlling company and a subsidiary company or affiliated company must be made and performed in an independent and fair manner on conditions applicable to legally independent entities.
3. The controlling company shall not be permitted to intervene in the organization or operation of the subsidiary company or affiliated company other than to exercise rights of the owner, capital contributing members or shareholders.

Article 142. *Capital contribution and share purchase between subsidiary companies and affiliated companies, and controlling companies*

1. Subsidiaries or affiliated companies of the same credit institution may not contribute capital to or purchase shares of that credit institution.
2. A credit institution being a subsidiary or an affiliate of a controlling company may not contribute capital or purchase shares of a controlling company, its subsidiaries or other affiliated companies, except for the case of implementing an approved compulsory transfer plan.

Article 143. *Development of a tentative remediation plan in case of early intervention*

1. A commercial banks or foreign bank branch must formulate a tentative remediation plan in case of early intervention.
2. A remediation plan specified in Clause 1 of this article must include the following principal contents:
 - a) Information and assessment on the organizational structure and business activities of the commercial bank or foreign bank branch;
 - b) Financial status and operation of commercial banks and foreign bank branches;
 - c) Measures taken to overcome each case specified in Clause 1, article 156 of this Law;
 - d) A roadmap and time limit for application of each remedy.
3. The measures specified at Point c, Clause 2 of this article must include the following principal measures:
 - a) An increase of the charter capital or issued capital and the implementation time; a roadmap for reducing the percentage of share ownership and capital contribution of shareholders and capital-contributing members specified at Point b, Clause 1, article 159 of this Law;
 - b) Improving liquidity; an increase in the holding of highly liquid assets; selling and transferring assets and other solutions to meet safety requirements in banking operations;
 - c) An improvement in the efficiency of business activities;
 - d) An improvement in management and administration;

dd) Handling existing financial weaknesses, bad debts, secured assets and measures to remedy breaches of law;

e) Communication and information technology measures to overcome liquidity difficulties.

4. The remediation plan specified in Clause 1 of this article must be approved by the general meeting of shareholders, the members' council, the owner or the owner's representative agency of a commercial bank or parent bank of a foreign bank branch and sent to the State Bank within 10 days from the date of approval.

5. Every two (2) years, the commercial bank or foreign bank branch shall update and adjust the remediation plans specified in Clause 1 of this article. The updated and adjusted plan must be approved by the general meeting of shareholders, the members' council, the owner or the owner's representative agency of a commercial bank or parent bank of a foreign bank branch and sent to the State Bank within 10 days from the date of approval.

6. In case a commercial bank or a foreign bank branch fails to adopt a remediation plan specified in Clause 4 of this article or fails to update or adjust the remediation plan specified in Clause 5 of this article, the State Bank shall apply one or several restrictive measures specified in Clause 2, article 157 of this Law.

7. The remediation plan prescribed in this article must be formulated and approved before 1 July 2025 or within one (1) year from the date of issuance of the establishment and operation license of a commercial bank or the license for establishment of a foreign bank branch.

Chapter VIII

FINANCE, ACCOUNTING, AND REPORTING

Article 144. *Capital and use of capital of credit institutions and foreign bank branches*

1. Capital of credit institutions and foreign bank branches shall include equity, mobilized capital and other capital as prescribed by law.

2. Credit institutions and foreign bank branches may use capital for business in accordance with this Law and other relevant laws.

3. Credit institutions and foreign bank branches may purchase and invest in fixed assets directly serving their operations, ensuring the **ratio of the residual value of fixed assets** as follows:

a) Not exceeding 50% of the charter capital and the reserve fund supplementing the charter capital stated in the accounting books for commercial banks, cooperative banks, non-bank credit institutions and microfinance institutions;

b) Not exceeding 100% of the charter capital and the reserve fund supplementing the charter capital stated in the accounting books for the people's credit fund;

c) Not exceeding 50% of the allocated capital and the allocated additional capital reserve fund recorded in the accounting books for foreign bank branches.

Article 145. *Revenue and revenue recognition guidelines*

1. Revenues from business operations of credit institutions and foreign bank branches shall include:

a) Interest income and similar incomes;

b) Income from service activities;

- c) Revenue from foreign exchange and gold trading activities;
- d) Revenue from securities trading activities, except shares;
- dd) Revenue from capital contribution activities, and the transfer of contributed capital and shares;
- e) Revenue from other activities;
- g) Other income as prescribed by law.

2. Revenue of credit institutions and foreign bank branches must be determined in accordance with Vietnamese accounting standards and other relevant laws, have sufficient valid invoices and vouchers and must be fully accounted for in revenue.

3. With regard to receivables which have been accounted for in turnover but subsequently assessed as uncollected or not collected by maturity, credit institutions and foreign bank branches must make an accounting provision for a decrease in revenue if not collected within the same accounting period, or accounted for as an expense if in a different accounting period and monitor the off-balance sheet regarding recovery, handle in accordance with the provisions of the law; and when amounts are obtained, they shall be accounted for as revenue.

4. With regard to revenue from credit extension activities, credit institutions and foreign bank branches shall assess the ability to collect debts and classify debts in accordance with the law to serve as a basis for accounting for receivable interest and accounting for interest receivable from credit issuing activities into revenue according to the Government's regulations.

Article 146. *Costs and cost recognition guidelines*

1. Expenses of credit institutions and foreign bank branches shall include:

- a) Interest expense and similar expenses;
- b) Service expenses;
- c) Expenditures on foreign exchange and gold trading activities;
- d) Expenditures on trading in securities permitted for business in accordance with this Law;
- dd) Capital contribution expenditures, transfer of contributed capital and shares;
- e) Expenditures on other business operations;
- g) Payment of taxes and fees and charges;
- h) Expenditures for managers, executives and employees;
- i/ Expenditures on management and public affairs activities;
- k/ Expenditures on assets;
- l/ Expenditures for provisioning;
- m) Deposit conservation and insurance expenditures;
- n) Other expenses.

2. Expenses of credit institutions and foreign bank branches mean actual expenses incurred in connection with business operations of credit institutions and foreign bank branches; compliance with the principle of conformity between revenue and expenses; having sufficient valid invoices and documents as prescribed by law. Credit institutions and foreign bank branches may not

account for expenses covered by other funding sources. The determination and accounting of costs shall be carried out in accordance with Vietnamese accounting standards and other relevant laws.

3. The determination of expenses when calculating enterprise income tax shall comply with the provisions of the *Law On Corporate Income Tax*.

Article 147. *Risk provision*

1. A credit institution or foreign bank branch must make provisions for risks in the operation of a credit institution or foreign bank branch. This risk provision is accounted for in operating expenses.

2. The classification of assets shall comply with regulations of the Governor of the State Bank.

3. The use of risk provision does not change the debt repayment obligations of clients for debts used for risk provision and responsibilities of organizations and individuals related to the debt. The level of provision for risk, method of setting up risk provision and the use of provisions to deal with risks in the operation of a credit institution or foreign bank branch shall comply with the government's regulations.

4. In special cases for the performance of socio-economic and foreign relations duties, the Prime Minister shall make decisions on the classification of assets, the level of provision for risks, methods of setting up risk provisions and the use of reserves to deal with risks in operation for each specific case at the proposal of the State Bank.

5. Where a credit institution or a foreign bank branch recovers the settled capital with a risk reserve, such recovery amount shall be accounted into the revenue of the credit institution or foreign bank branch.

Article 148. *Distribution of profits and funds*

1. The remaining profits of credit institutions and foreign bank branches, after offsetting losses in the previous year in accordance with the *Law on Corporate Income Tax* and paying corporate income tax, shall be distributed according to the Government's regulations.

2. Every year, the credit institution or foreign bank branch shall deduct from its after-tax profits to establish and maintain the following funds:

a) The charter capital supplementary reserve fund or the granted capital supplementary reserve fund must be set aside annually at the rate of 10% of after-tax profit. The maximum amount of this fund must not exceed the level of charter capital or allocated capital of the credit institution or foreign bank branch;

b) The financial reserve fund;

c) Development investment funds, for credit institutions in which the State holds more than 50% of charter capital and credit institutions being cooperatives;

d) Other reserve funds as prescribed by law.

3. Commercial banks being joint-stock companies in which the State holds more than 50% of charter capital are entitled to dividends in shares to increase charter capital. The rate of dividends in shares shall be decided by the Prime Minister.

4. Credit institutions and foreign bank branches shall manage and use funds in accordance with the law.

Article 149. *Fiscal year*

1. The fiscal year of a credit institution or a branch of a foreign bank commences on January 1 and ends on December 31 of the same calendar year.
2. The first fiscal year of a credit institution or a foreign bank branch commences on the date of issuance of the license and ends on December 31 of the same calendar year.

Article 150. *Cost accounting and accounting*

A credit institution or foreign bank branch must carry out cost accounting and accounting in accordance with the provisions of the law on accounting; take responsibility before the law for the accuracy and truthfulness of revenues and expenditures and comply with regulations on the regime of invoices and accounting documents.

Article 151. *Financial regime*

1. Credit institutions and foreign bank branches have financial autonomy.
2. Financial regimes of credit institutions and foreign bank branches shall comply with the provisions of this Law and other relevant laws.
3. The Government shall detail the financial regime, revenue, expenses and profit distribution of credit institutions and foreign bank branches.

Article 152. *Reporting*

1. Credit institutions and foreign bank branches shall implement the reporting regime in accordance with the law on accounting and statistics and shall prepare periodical professional reports in accordance with State Bank regulations.
2. Credit institutions and foreign bank branches must report on their professional activities periodically according to regulations of the Governor of the State Bank.
3. In addition to reports specified in Clauses 1 and 2 of this article, credit institutions and foreign bank branches shall promptly report to the State Bank in the following circumstances:
 - a) There is an abnormal development in professional activities which may cause a serious adverse effect on the business status of such credit institution or foreign bank branch;
 - b) There are changes in the organization, management, executive operation or financial status of a major shareholder or other changes which may cause a serious adverse effect on the business operation of the credit institution or foreign bank branch; buying, selling, transferring shares and capital contributions of major shareholders;
 - c) There is a change of name of a branch of the credit institution; there is temporary cessation of business activities for under five (5) business days; [or] shares are listed on the domestic securities market.
4. Subsidiaries and affiliated companies of credit institutions shall send financial statements and operation reports to the State Bank upon request.
5. Credit institutions and foreign bank branches shall, within ninety (90) days of termination of the fiscal year, forward to the State Bank annual reports in accordance with law.
6. Joint venture credit institutions, credit institutions with one hundred (100) per cent foreign owned capital, foreign bank branches and representative offices in Vietnam of a foreign credit institution

or other foreign institution engaged in a banking operation shall, within one hundred and eighty (180) days of termination of the fiscal year, forward to the State Bank the annual financial statements of the following entities:

- a) Capital contributing members of joint-venture credit institutions or credit institutions with 100% foreign capital being foreign credit institutions;
- b) The owner of a credit institution with 100% foreign capital;
- c) The parent bank of the foreign bank branch;
- d) Foreign credit institutions and other foreign organizations engaged in banking operations have foreign representative offices.

7. Joint-venture credit institutions, credit institutions with 100% foreign capital and foreign bank branches shall promptly report in writing to the State Bank when foreign credit institutions specified at Points a, b and c, Clause 6 of this article fall into one of the following cases:

- a) Division, separation, merger, consolidation, liquidation, bankruptcy or dissolution;
- b) Change the name or address of the head office;
- c) Change of a major shareholder, a members of the board of management or executive board;
- d) Any abnormal changes seriously affecting the organization or operation.

Article 153. *Reports of controlling company*

1. Controlling companies shall, in addition to the reports and data stipulated by law and within one hundred and twenty (120) days of termination of the fiscal year, prepare and forward to the State Bank consolidated financial statements audited in accordance with the *Law On Accounting*.

2. Controlling companies shall, within ninety (90) days of termination of the fiscal year, prepare and forward to the State Bank a general report on transactions of purchase and sale and other transactions between the controlling company and its subsidiary and affiliated companies.

Article 154. *Publication of financial statements*

Credit institutions and foreign bank branches shall, within one hundred and twenty (120) days of termination of the fiscal year, make public their financial statements in accordance with the law, except for circumstances where credit institutions are under special control.

Article 155. *Overseas remittance of profits and assets*

1. Foreign bank branches and credit institutions with one hundred (100) per cent foreign owned capital in Vietnam may remit overseas their retained profit after contributing to funds and fulfilling all financial obligations in accordance with the law of Vietnam.

2. The foreign party to a joint venture credit institution may remit overseas its shared profit after the joint venture credit institution has contributed to funds and fulfilled all financial obligations in accordance with the law of Vietnam.

3. Foreign bank branches and credit institutions with one hundred (100) per cent foreign owned capital and foreign parties to joint venture credit institutions may remit overseas their remaining assets after liquidation and termination of the operation in Vietnam.

4. Overseas remittance of money and other assets as referred to in clauses 1, 2 and 3 of this article shall be carried out in accordance with the [relevant] law of Vietnam.

Chapter IX

EARLY INTERVENTION OF CREDIT INSTITUTIONS AND FOREIGN BANK BRANCHES

Article 156. *Early intervention of credit institutions and foreign bank branches*

1. Consideration shall be given to placing a credit institution under early intervention when it falls into anyone of the following cases:

- a) The accumulated losses of a credit institution or foreign bank branch are greater than 15% of the value of the charter capital, issued capital and reserve funds stated in the most recently audited financial statements or according to inspection and audit conclusions of competent state agencies, and violate the minimum capital adequacy ratio specified at the point b, Clause 1, article 138 of this Law;
- b) The credit institution or foreign bank branch has been ranked below the average level prescribed by the Governor of the State Bank;
- c) The credit institution or foreign bank branch has violated the solvency ratio specified at Point a, Clause 1, article 138 of this Law for 30 consecutive days;
- d) The credit institution or foreign bank branch has failed to meet the minimum capital adequacy ratio specified at Point b, Clause 1, article 138 of this Law for six (6) consecutive months;
- dd) The credit institution or foreign bank branch has suffered experienced a mass withdrawal and has reported this to the State Bank.

2. The State Bank shall request in writing credit institutions and foreign bank branches in one or several cases specified in Clause 1 of this article to do the following principal contents:

- a) One or several requirements and restrictive measures specified in article 157 of this Law and the time limit for implementation;
- b) To request the credit institution to update and immediately implement the remediation plan specified in article 143 of this Law or formulate a remediation plan as prescribed in article 158 of this Law, the time limit for completing the development and approval of the remediation plan; the time limit for cooperative banks to comment on remediation plans of the people's credit fund as prescribed in Clause 2, article 158 of this Law;
- c) To request the foreign bank branch to update and immediately implement the remediation plan specified in article 143 of this Law or develop a remediation plan as prescribed in article 158 of this Law, the time limit for completing the development and approval of the remediation plan.

3. Credit institutions and foreign bank branches shall immediately comply with requests and restrictive measures specified in documents of the State Bank specified in Clause 2 of this article. Where a credit institution or foreign bank branch fails to comply with these requirements and restrictive measures, the State Bank shall additionally apply one or several restrictive measures specified in Clause 2, article 157 of this Law.

4. In case of necessity, the State Bank shall request credit institutions and foreign bank branches to hire independent auditing organizations to audit financial statements and assess financial situation as a basis for formulating remediation plans.

Article 157. *Requirements and restrictive measures for credit institutions and foreign bank branches to receive early intervention*

1. Requirements for credit institutions and foreign bank branches to receive early intervention include:

- a) Increase of the charter capital and allocated capital; enhance the holding of highly liquid assets and implement other solutions to meet the requirements of ensuring safety in banking operations;
- b) Cut operating costs, management costs, remuneration, salary and bonus; request reimbursement of remuneration and bonuses for managers, executives and members of the board of controllers;
- c) Strengthen risk management; reorganization of the management and administration apparatus.

2. Restrictive measures for credit institutions and foreign bank branches to receive early intervention include:

- a) Impose a suspension on the payment of dividends, profits, the distribution of after-tax profits after setting up funds or transferring profits to the country; impose restrictions on the transfer of shares, contributed capital, and the transfer of assets;
- b) Restrict inefficient and high-risk business operations; reduce credit issue limits, impose limits on capital contribution and share purchase; limiting credit growth;
- c) Suspend or temporarily suspend one or several banking operations or other business operations showing signs of violations of the law; not adding contents of banking operations, other new business operations, and not expanding the operation network;
- d) Suspend managers and executives who commit acts of violating the law or cause great risks to the operation of credit institutions and foreign bank branches; request the election and appointment of replacement managers and executives who commit acts of violating the law or cause great risks to the operation of credit institutions and foreign bank branches that are entitled to early intervention;
- dd) Other measures under the authority of the State Bank.

Article 158. *Develop, update, and approve remediation plans*

1. For a commercial bank or foreign bank branch that has adopted remediation plans specified in article 143 of this Law, pursuant to documents of the State Bank specified in Clause 2, article 156 of this Law, the commercial bank or foreign bank branch must determine the causes leading to early intervention and update the plans the remediation plan, submit to the board of management, the members' council and the parent bank of the foreign bank branch for approval and send it to the State Bank within 10 days from the date of approval.

2. Credit institutions and foreign bank branches, except for the cases specified in Clause 1 of this article, shall determine the causes leading to early intervention and prepare remediation plans specified in Clauses 2 and 3, article 143 of this Law, submit the plans to the board of management, the members' council and the parent bank of the foreign bank branch for approval and send the remediation plan to the State Bank within 10 days from the date of approval.

For a people's credit fund, the remediation plan must be submitted and consulted by the cooperative bank before approval.

3. Where the State Bank comments on the remediation plan specified in Clauses 1 and 2 of this article, the credit institution or foreign bank branch shall adjust the remediation plan and send it to the State Bank within the time limit at the request of the State Bank.

4. Where the contents of the remediation plan contain support measures specified in article 159 of this Law, within 30 days from the date of receipt of the remediation plan satisfying the request of the State Bank, the State Bank shall consider and approve the application of support measures to the credit institution receiving early intervention.

Article 159. *Measures to support credit institutions to receive early intervention*

1. During the implementation of the remediation plan, a credit institution entitled to early intervention may apply the following support measures after obtaining the written approval of the State Bank:

a) The roadmap shall comply with one or several limits and rates specified in articles 136 and 138 of this Law;

b) When implementing the solution to increase charter capital according to the remediation plan, shareholders and capital-contributing members may own shares, contributed capital exceeding the limit of share ownership ratio and contributed capital specified in articles 63 and 77 of this Law. Shareholders and capital-contributing members must have a forward-looking plan to reduce the percentage of share ownership and contributed capital to comply with the limit.

2. During the implementation of the remediation plan, the credit institution may intervene early with accumulated losses greater than 50% of the value of its charter capital and reserve funds stated in the most recently audited financial statements or according to inspection and audit conclusions of competent state agencies, In addition to the measures specified in Clause 1 of this article, one or more of the following support measures may be applied after being approved in writing by the State Bank:

a) Where the amount to be set aside for risk provision is greater than the difference in revenue and expenditure from annual business results, excluding the amount of risk provision temporarily deducted during the year, the amount of risk provision is equal to the difference in revenue and expenditure;

b) Where a credit institution has receivable interest and receivables, the credit institution to which receivables interest is allocated must be divested according to its financial capacity on the principle that the total amount of receivable interest allocation to be divested and the amount to be set aside for risk provision is equal to the difference in revenue and expenditure orders from the credit institution's annual business results. The time for allocation of receivable interest must be divested for a maximum of five (5) years from the date of approval by the State Bank and shall only apply to receivables arising up to the time the State Bank issues the documents specified in Clause 2, article 156 of this Law. The Government stipulates cases where a credit institution has a receivable interest allocation period of more than five (5) years but not more than 10 years only in case of necessity;

c) The people's credit fund may borrow from the fund to ensure the safety of the people's credit fund system at preferential interest rates as prescribed by the Governor of the State Bank;

d) The people's credit fund shall be supported by the cooperative bank to appoint personnel to participate in management and administration; and in information technology support;

dd) Other measures under the authority of the State Bank.

Article 160. *Implementing a remediation plan*

1. Credit institutions and foreign bank branches shall implement a remediation plan specified in article 158 of this Law immediately after its approval.
2. In the course of implementing the remediation plan, credit institutions and foreign bank branches shall report on the progress and results of the implementation of the remediation plan at the request of the State Bank.
3. The State Bank shall supervise the implementation of the remediation plan, have the right to adjust requirements and restrictive measures applicable to credit institutions and foreign bank branches specified at Point a, Clause 2, article 156 of this Law and request credit institutions, and foreign bank branches to adjust the contents of the remediation plan.
4. In case of an extension of the time limit for implementation of the remediation plan, credit institutions and foreign bank branches must comply with the provisions of article 158 of this Law.
5. In case of amending or supplementing support measures specified in article 159 of this Law, credit institutions and foreign bank branches shall submit them to the State Bank for written approval before implementation.
6. During the implementation of the remediation plan, where a credit institution receives a merger or consolidation, the credit institution may intervene early in the merger or consolidation according to the provisions on reorganization of the credit institution in article 201 of this Law.
7. During the implementation of the remediation plan, in case a transfer of shares, contributed capital or an increase of charter capital leads to the early conversion of the legal form of the credit institution, the conversion of the legal form shall comply with the provisions of article 201 of this Law.
8. In case the time limit for implementing the remediation plan expires, but the foreign bank branch fails to remedy the situation leading to early intervention, the foreign bank branch must dissolve, terminate its operation, liquidate or freeze capital and assets according to the provisions of Chapter XIII of this Law.

Article 161. *Termination of early intervention*

1. A credit institution shall terminate early intervention in the following cases:

- a) The State Bank shall issue a document to terminate in writing the implementation of the written request specified in Clause 2, article 156 of this Law when the credit institution overcomes the situation leading to early intervention as prescribed in Clause 1, article 156 of this Law and makes a written report to the State Bank;
- b) The State Bank shall issue a written approval for merger or consolidation with other credit institutions as prescribed in article 201 of this Law;
- c) Competent state agencies shall issue a decision on dissolution or bankruptcy of a credit institution in accordance with the law;
- d) The State Bank shall issue a decision to place a credit institution under special control specified in article 162 of this Law.

2. Foreign bank branches shall terminate early intervention in the following cases:

- a) The State Bank shall issue a document to terminate in writing the implementation of the written request specified in Clause 2, article 156 of this Law when the foreign bank branch overcomes the

situation leading to early intervention specified in Clause 1, article 156 of this Law and makes a written report to the State Bank;

b) The State Bank shall issue a written approval for dissolution or termination of operation of a foreign bank branch in accordance with the law.

Chapter X

SPECIAL CONTROL OF CREDIT INSTITUTIONS

Section 1. GENERAL PROVISIONS

Article 162. *Application of special control over credit institutions*

1. The State Bank shall consider and make a decision to place a credit institution under special control in one of the following cases:

a) The credit institution that is granted early intervention fails to submit a restructuring plan to the State Bank or fails to adjust the restructuring plan at the written request of the State Bank;

b) Within the time limit for implementing the restructuring plan, the credit institution receiving early intervention is not capable of implementing the restructuring plan;

c) The time limit for implementing the restructuring plan expires, but the credit institution fails to remedy the situation, leading to early intervention;

d) The credit institution has experienced a mass withdrawal of money from the same credit institution, causing insecurity of the credit institution system;

dd) The capital adequacy ratio of the credit institution is lower than 04% for six (6) consecutive months;

e) The dissolved credit institution is unable to fully pay debts in the process of asset liquidation.

2. From the date on which a credit institution is placed under special control, owners, capital-contributing members and shareholders of a credit institution under special control must report on the use of shares and contributed capital; must not transfer shares or contributed capital; must not use shares or contributed capital as security assets, except for cases where they are complying with a request of competent state agencies.

3. From the date on which a credit institution is placed under special control, the outstanding principal and interest balance of such credit institution's refinancing loan at the State Bank shall be converted into the principal and interest balance of the special loan and continue to comply with the refinancing loan mechanism of these refinancing loans; the outstanding principal and interest of the loan of the people's credit fund at the cooperative bank shall be converted into the principal and interest balance of the special loan and continue to comply with the lending mechanism of the cooperative bank to the people's credit fund.

4. In order to ensure the safety of the credit institution system, social order and safety when handling a credit institution under special control, the government shall decide on the application of special measures on the basis of the proposal of the State Bank and report it to the National Assembly at the nearest session.

Article 163. *Duties and powers of the State Bank and the Governor of the State Bank with respect to credit institution under special controls*

1. The State Bank shall establish a special controlling board to control the operation of a credit institution under special control.

2. Duties and powers of the State Bank with respect to credit institution under special controls include:

a) To deal with proposals of the special controlling board;

b) To appoint the chairman and other members of the board of management or the chairman and other members of the members' council, the head and other members of the board of controllers, the general director (director) or deputy general director (deputy director) and other equivalent positions in the credit institution under special control;

c) To decide or to amend the operational contents and scope, and the operational network of the credit institution placed under special control.;

d) To require owners, capital-contributing members and shareholders of a credit institution under special control to report the use of their shares and capital contribution portions; not to transfer their shares or capital contribution portions; and not to use their shares or capital contribution portions as collateral;

dd) Other duties and powers as prescribed by this Law.

3. The Governor of the State Bank shall provide for the special control of credit institutions, including the following contents:

a) The form and duration of special control, extension of the duration of special control, termination of special control, and disclosure of information on the special control of a credit institution;

b) The composition, number of members, structure, operation mechanism, duties and powers of the special controlling board in accordance with the special form of control and the actual situation of the credit institution under special control;

c) Responsibilities of relevant agencies, organizations and individuals;

d) Other contents to serve special control activities and prepare a plan for restructuring a credit institution under special control.

Article 164. *Duties and powers of the special controlling board*

1. To request a credit institution under special control to review and adjust its organizational structure, network and business operation, and to concentrate on debt recovery, the realization of security assets and to cut costs.

2. To request a credit institution under special control to propose, develop and implement a plan on rehabilitation, a plan on merger, consolidation or transfer of all shares, contributed capital and a plan on dissolution; to request the compulsory transferee to develop, complete and implement the compulsory transfer plan in accordance with the provisions of this Law.

3. To coordinate with credit institution under special controls in formulating bankruptcy plans in accordance with this Law.

4. To temporarily suspend one or several business activities of a credit institution under special control if such activities may increase risks for that credit institution or are inconsistent with the approved restructuring plan or bankruptcy plan.

5. To suspend or temporarily suspend the managerial, executive or controlling authority of, and propose that the State Bank appoint persons to replace the chairman or members of the board of management, the chairman or members of the members' council, the head or members of the board of controllers, the general director (director) or deputy general director (deputy director) and other equivalent positions of the credit institution under special control.
6. To require the board of management or members' council and the general director (director) to dismiss or suspend work of any person committing a breach of law or failing to comply with the approved restructuring plan or failing to comply with instructions and directions from the special controlling board.
7. To propose that the State Bank make decisions changing the form of special control, or extending or terminating the duration of special control; or providing a special loan or extending the term of or recovering a special loan; or liquidating assets of or revoking the licence of the credit institution under special control.
8. Other duties and powers as prescribed by this Law.

Article 165. *Responsibilities of a credit institution placed under special control*

1. A credit institution placed under special control, its owners, capital-contributing members and shareholders of a credit institution under special control have the following responsibilities:

- a) To develop a restructuring plan at the request of the special controlling board;
- b) To implement the in-principle decision on and the restructuring plan as approved by the authorized level;
- c) To implement the decisions and requirements of the State Bank specified in article 163 of this Law;
- d) To implement the decisions and requirements of the special controlling board specified in article 164 of this Law.

2. The board of management, the members' council, the board of controllers and the general director (director) of a credit institution under special control have the following responsibilities:

- a) To undertake the responsibilities specified in Clause 1 of this article;
- b) To manage, administer and exclusively operate the business activities of the credit institution, ensure the safety of assets of the credit institution;
- c) The board of management of a credit institution under special control shall make decisions on issues within the decision-making authority of the general meeting of shareholders and the general meeting of members and approve the restructuring plan in accordance with this Law.

Article 166. *Management, executive operation and activities of a credit institution under special control*

1. A credit institution under special control is not required, during the duration of such special control, to comply with the provisions in articles 136, 137, 138 and clause 3, article 144 of this Law but shall implement [such matters] in accordance with the decision of the State Bank applicable to each specific case; if the amount of money required to establish a risk reserve is greater than the different between revenue and expenses according to the annual business results (excluding the amount

of a risk reserve temporarily established [set aside] during the year), then the minimum amount required for establishment of risk reserves shall equal such difference.

2. A credit institution placed under special control is not required to implement the compulsory reserve.

3. A credit institution placed under special control is exempt from paying monetary deposit insurance premiums, and fees for participation in the fund for ensuring safety of the people's credit fund system.

4. Holding meetings of the general meeting of shareholders and disclosure of information by the credit institution under special control shall be implemented in accordance with requests from the State Bank, in conformity with the objective of ensuring the safety of the credit institution system.

5. The number of members of and the term of office of the board of management or members' council and of the board of controllers of the credit institution under special control shall be as decided by the State Bank, in conformity with the operational status of such credit institution.

If the board of management or members' council, or if the board of controllers reaches the end of its term without the credit institution under special control electing or appointing a new such board of management or members' council or board of controllers, then the current board of management or members' council or board of controllers shall continue to manage and control the credit institution in accordance with the law.

Article 167. *Assessment of the actual status of a credit institution under special control*

1. The special controlling board shall require a credit institution under special control specified at Points a, b, c, d and dd, Clause 1, article 162 of this Law to hire an independent auditing organization to review and audit the financial statements of the credit institution, except for the people's credit fund. The hiring of an independent auditing organization must be completed within 60 days from the date of the decision on the establishment of the special controlling board.

2. Within 30 days from the date of issuance of the report on audit results, a credit institution under special control must complete the results of the internal assessment of the current status of that credit institution.

3. Within 60 days from the date of issuance of the report on audit results, the special controlling board shall complete the assessment of the status of the credit institution under special control, even if the credit institution fails to complete the internal assessment as prescribed in Clause 2 of this article.

4. The time limit specified in Clauses 2 and 3 of this article of the specially controlled people's credit fund shall be counted from the date on which the State Bank issues a decision to establish a special controlling board.

5. The assessment of the current situation of a credit institution under special control specified in Clauses 2 and 3 of this article, except for the people's credit fund, must be based on the results of the independent auditing organization specified in Clause 1 of this article.

6. Contents of assessment of the current situation of a credit institution under special control specified in Clauses 2 and 3 of this article shall be decided in writing by the special controlling board to send to such credit institution, including the following principal contents:

a) The actual status of the organization, management and executive operation;

- b) The actual status of the information systems;
- c) The actual status of banking activities and other business operations, including accumulated profits and losses of credit institutions.

7. Based on the results of the assessment of the situation of a credit institution under special control by the special controlling board, the special controlling board shall request in writing the credit institution under special control to propose and formulate a restructuring plan in accordance with this Law.

8. Expenses for hiring an independent auditing organization and other expenses related to the assessment of the situation of a credit institution under special control shall be paid by a credit institution under special control and accounted for in its expenses.

9. The time limit specified in Clauses 1, 2, 3 and 4 of this article may be extended by the State Bank but not exceeding twice such duration.

Article 168. *Termination of special controls*

The State Bank shall consider and decide to terminate special control over a credit institution under special control in one of the following cases:

1. A credit institution under special control has remedied the situation leading to it being placed under special control and has complied with the prudential ratios specified in article 138 of this Law;
2. A credit institution under special control has completed the rehabilitation plan, plan on merger, consolidation or transfer of all shares, capital contribution and compulsory transfer plan approved according to the provisions of Sections 2, 3 and 4 of this Chapter;
3. A credit institution under special control has been dissolved or merged or consolidated according to the provisions of Section 5 of this Chapter, Chapter XIII of this Law and other relevant laws;
4. A judge has been appointed an Administrator or an enterprise managing or liquidating assets has carried out bankruptcy procedures for a credit institution under special control.

Section 2. REMEDIAL PLAN OF A SPECIALLY CONTROLLED CREDIT INSTITUTION

Article 169. *Develop and approve a remedial plan*

1. Within 60 days from the date of receipt of a written request from the special controlling board specified in Clause 7, article 167 of this Law, the credit institution under special control shall complete the elaboration of the remedial plan and send it to the special controlling board.
2. Within 30 days from the date of receipt of the remedial plan of the credit institution under special control, the special controlling board shall assess and report to the State Bank on the feasibility of the remedial plan.

For the plan to restore the people's credit fund, the special controlling board shall coordinate with deposit insurance organizations and cooperative banks in assessing the feasibility of the remedial plan.

3. The State Bank shall consider and approve the remedial plan within 60 days from the date of receipt of the report of the special controlling board specified in Clause 2 of this article or within 60 days from the date on which the Prime Minister makes a decision on special loans as prescribed in Clause 4 of this article. In case of disapproval, the State Bank shall send a written statement to the credit institution or the special controlling board.

4. In case the remedial plan proposes a special loan measure of the State Bank with an interest rate of 0%/year without collateral, the State Bank shall submit it to the Prime Minister for consideration and decision on the special loan at an interest rate of 0%/year without collateral before approving the remedial plan.

5. The time limit specified in Clauses 1, 2 and 3 of this article may be extended by the State Bank but not exceeding twice that time limit.

Article 170. *Contents of the remedial plan*

1. A remedial plan shall include the following principal contents:

a) A plan on increasing charter capital and the deadline for achieving same in the following circumstances: The actual value of charter capital is less than the legal capital amount; the minimum prudential ratio is below the level stipulated by the State Bank; or pursuant to a request of the State Bank in order to ensure safe operation of the credit institution;

b) A business operation plan within the remedial period;

c) A plan on restructuring organization, management and executive operation;

d) A plan on dealing with current issues, financial weaknesses, bad debts, security assets and measures for remedying breaches of law

dd) A plan on repayment in accordance with a roadmap of monetary deposits from clients being legal entities, and monetary deposits and loan monies from other credit institutions; and a plan on dealing with special loan monies obtained, including special loans prescribed in article Clause 3, article 162 of this Law;

(e) Support measures prescribed in article 171 of this Law which need to be applied;

(g) The roadmap for and duration of implementation of the remedial plan.

2. If the State Bank proposes to appoint an assisting credit institution, in addition to the contents specified in Clause 1 of this article, then the credit institution under special control shall coordinate with the assisting credit institution in supplementing the remedial with the following contents:

a) Information on the credit institution supporting the implementation of the remedial plan;

b) A plan on assistance from the assisting credit institution to the credit institution under special control; and a plan on assistance for the assisting credit institution;

c) A plan on payment of salaries, remuneration, bonuses and other regimes for people seconded to participate in providing assistance in management and executive operation of the credit institution under special control;

d) A plan on payment of salaries to employees of the credit institution under special control during the duration of such special control.

Article 171. *Measures to support the implementation of the remedial plan*

1. A credit institution under special control being a commercial bank, co-operative bank or finance company may have one or more of the following assisting measures applied to it:

a) To obtain special loans from the State Bank, deposit insurance organizations and other credit institutions as prescribed at Point b, Clause 1, Clause 2, article 192 of this Law;

b) Exemption from interest on refinancing loans or special loans from the State Bank;

- c) To receive deposits or loans from assisting credit institutions at preferential interest rates;
- d) To purchase debts and corporate bonds held by supported credit institutions which are classified as qualified debts; to resell such debts and corporate bonds to assisting credit institutions;
- dd) To agree upon and select one or several assisting credit institutions to participate in the remedial plan;
- e) To be supported by the credit institution to appoint personnel to participate in management and administration; and information technology support;
- g) Where a credit institution has receivable interest and receivables, the credit institution to which receivables interest is allocated must be divested according to its financial capacity on the principle that the total amount of receivable interest allocation must be divested and the amount to be set aside as a reserve equal to the difference in revenue and expenditure orders from the credit institution's annual business results. The period of allocation of receivables interest must be divested for a maximum of 10 years from the date of approval by the State Bank and only applies to receivables arising up to the time the credit institution is placed under special control;
- h) When implementing the solution to increase charter capital under the remedial plan, shareholders and capital-contributing members may own shares, and contributed capital exceeding the limit of share ownership ratio and contributed capital specified in articles 63 and 77 of this Law. Shareholders and capital-contributing members must have a roadmap to reduce the percentage of share ownership and capital contribution portion to comply with the limit;
- i) Other measures under the authority of the State Bank.

2. Credit institutions under special control, being people's credit funds and microfinance institutions, may apply one or more of the following support measures applied to it:

- a) Measures specified at Points b, c, d, dd, e, g and i, Clause 1 of this article;
- b) Microfinance institutions may receive special loans from the State Bank, deposit insurance organizations and other credit institutions as prescribed at Point b, Clause 1, Clause 2, article 192 of this Law;
- c) The people's credit fund may receive special loans from cooperative banks from the people's credit fund system safety assurance fund with interest rates up to 0%/year.

Article 172. *Organize the implementation of the remedial plan*

1. Credit institutions under special control shall implement the approved remedial plan.
2. The special controlling board shall direct, inspect and supervise the credit institution under special control to implement [realize] the contents of the approved remedial plan.
3. The State Bank shall make a decision on the amendment and supplementation of the remedial plan, including the extension of the time limit for implementation of the remedial plan at the request of the special controlling board.
4. In case of amending or supplementing a special loan measure with an interest rate of 0%/year without collateral in the remedial plan, the State Bank shall submit it to the Prime Minister for consideration and decision on such amendment or supplementation.
5. Where the remedial plan of a credit institution under special control is not approved according to the provisions of Clause 3, article 169 of this Law or the credit institution is unable to recover

according to the approved remedial plan or the time limit for implementation of the remedial plan expires, but the credit institution under special control is unable to remedy the situation which lead to its being placed under special control, then the special controlling board shall request the credit institution to propose and develop a plan for compulsory transfer of a commercial bank or a plan for dissolution or bankruptcy according to the provisions of this Law.

Article 173. *Conditions for assisting credit institutions*

An assisting credit institution must fully satisfy the following conditions:

1. Conduct profitable business operations for at least two (2) years preceding the time of participating in support according to independently audited financial statements;
2. Satisfy the prudential ratios prescribed in article 138 of this Law;
3. The members' council, the board of management and the board of controllers shall have the number of members and structure as prescribed by law;
4. The internal control and internal audit system meets the provisions of articles 57 and 58 of this Law.

Article 174. *Rights and obligations of assisting credit institutions*

1. To coordinate with the credit institution under special control to formulate the remedial plan in accordance with clause 1, article 169 of this Law.
2. To select, introduce and second senior staff with adequate competence, experience and conditions[qualifications] to participate in management, control and executive operation of the credit institution under special control pursuant to a request from the State Bank.
3. To arrange management and supervision of the organization, and to arrange commencement of operation of the credit institution under special control in accordance with the approved remedial plan; and to make proposals to the special controlling board on any amendments or additions to the approved remedial plan.
4. To provide loans to, and to lodge monetary deposits at preferential interest rates with the credit institution under special control in accordance with the approved remedial plan.
5. To sell debts and enterprise bonds currently classified in the group of eligible debts which satisfy the criteria stipulated in State Bank regulations to the credit institution under special control at the request of the State Bank.
6. To acquire or redeem the debts and enterprise bonds previously sold pursuant to clause 5 above, at the request of the State Bank.
7. To be entitled to refinancing at an interest rate equal to the interest rate of a credit institution supporting loans and deposits at credit institution under special controls; the amount and duration of loans for refinancing must not exceed the amount and duration of credit institutions supporting loans and deposits at credit institution under special controls; to receive a 50% reduction in the compulsory reserve ratio in accordance with the approved remedial plan.
8. There are no restrictions on the rate of purchase, holding and investment of Government bonds and bonds guaranteed by the Government specified prescribed in article 130.1(e) of this Law.

9. Loans made to and monies deposited with the credit institution under special control shall be subject to the risk coefficient of 0% on calculation of minimum capital adequacy ratios and shall be classified in the group of eligible debts which satisfy the criteria.

10. Payments being salary, remuneration and bonuses paid to staff seconded to participate in management, control and executive operation of the credit institution under special control shall be accounted for as operational expenses.

11. To apply other support measures decided by the State Bank within its authority.

Section 3. PLANS FOR MERGER, CONSOLIDATION OR TRANSFER OF ALL SHARES AND CAPITAL CONTRIBUTED PORTIONS OF A SPECIALLY CONTROLLED CREDIT INSTITUTION

Article 175. *Merger, consolidation or transfer of all shares and capital contribution portions of a credit institution under special control*

The merger, consolidation or transfer of all shares and contributed capital of a credit institution under special control shall be carried out upon fully satisfying the following conditions:

1. Having a credit institution receiving the merger or consolidation or having investors receive the transfer of all shares and contributed capital satisfying the conditions prescribed by law;
2. Post-merger or consolidation credit institutions shall ensure the real value of their charter capital at least equal to the legal capital level and satisfy the prudential ratios specified in article 138 of this Law.

Article 176. *Formulate and approve plans for merger, consolidation and transfer of all shares and contributed capital*

1. Within 60 days from the date of receipt of a written request from the special controlling board specified in Clause 7, article 167 of this Law, the credit institution under special control shall complete the development of a plan on merger, consolidation or transfer of all shares, and the capital contribution portions to the special controlling board.
2. The order and time limit for approving plans for merger, consolidation or transfer of all shares and capital contribution portions shall comply with the provisions of Clauses 2, 3 and 5, article 169 of this Law.

Article 177. *Contents of the plan on merger, consolidation or transfer of all shares and capital contribution portions*

1. A plan on merger, or on consolidation, or on transfer of the entire shareholding and capital contribution portions shall comprise the following minimum contents:
 - a) Name of the plan for merger, consolidation or transfer of all shares, capital contribution portions and the process of implementation of the plan;
 - b) Information about the credit institution which is merging, about the credit institution accepting the merger or about the consolidating and consolidated credit institutions, or about the investor to receive the entire shareholding and capital contribution portions, including items proving capacity and satisfaction of conditions stipulated by law;

- c) A plan on the structure of organization, management and executive operation, including integration and conversion of the information technology system in the case of a merger or consolidation;
- d) A plan on business activities in the three (3) year period following the merger, consolidation or transfer, including the proposed prudential ratios prescribed in article 138 of this Law;
- dd) A plan for dealing with special loans, including special loans specified in Clause 3, article 162 of this Law;
- e) A plan to remedy the situation leading to the credit institution being placed under special control in case of transfer of all shares or contributed capital;
- g) Support measures specified in article 171 of this Law, except for support measures specified at Point a, Clause 1, Point b and Point c, Clause 2, article 171 of this Law;
- h) The roadmap and time limit for implementation of the plan.

2. The percentage of share ownership, capital contribution of investors receiving the transfer of all shares, contributed capital shall comply with the ratio specified in the approved plan for transfer of all shares, contributed capital and exceed the limit of share ownership ratio, the contributed capital is specified in Clauses 2 and 3, article 63, Clause 1, article 77 and Clause 2, article 137 of this Law and a roadmap must exist to reduce the percentage of share ownership and contributed capital to comply with the limit.

Article 178. *Organize the implementation of the plan on merger, consolidation and transfer of the entire shareholding and capital contribution portions*

1. A credit institution under special control shall implement the approved plan on merger, consolidation or transfer of all shares and contributed capital.
2. The special controlling board shall direct, inspect and supervise the credit institution under special control in implementing the approved plan on merger, consolidation or transfer of all shares and contributed capital.
3. The State Bank shall inspect and supervise the implementation of the approved plan on merger, consolidation or transfer of the entire shareholding and capital contribution portions.
4. The State Bank shall make decisions on the amendment and supplementation of the plan on merger, consolidation or transfer of the entire shareholding and capital contribution portions, including the extension of the implementation time limit at the request of the special controlling board.
5. The order and procedures for merger, consolidation or transfer of the entire shareholding and capital contribution portions shall comply with the provisions of the law.
6. In case the plan on merger, consolidation or transfer of the entire shareholding or capital contribution portions of a credit institution under special control is not approved by the State Bank or the time limit for implementation of the plan on merger, consolidation or transfer of the entire shareholding or capital contribution portions is expired, but the credit institution under special control fails to implement such plan, the special controlling board shall request the credit institution to propose and develop a plan for compulsory transfer of a commercial bank or a plan for dissolution or bankruptcy in accordance with the provisions of this Law.

Section 4. COMPULSORY TRANSFER OF SPECIALLY CONTROLLED COMMERCIAL BANKS

Article 179. *Develop and approve a plan for compulsory transfer of a commercial bank under special control at the written request of the compulsory transferee*

1. The compulsory transfer of a commercial bank under special control shall be made upon fully satisfying the following conditions:

a) Commercial banks with accumulated losses greater than 100% of the value of charter capital and reserve funds stated in the most recent audited financial statements;

b) Having a party applying for compulsory transfer fully satisfy the conditions specified in article 184 of this Law within 60 days from the date on which the commercial bank under special control receives a written request from the special controlling board as prescribed in Clause 7, article 167 or Clause 5, article 172 or Clause 6, article 178 of this Law.

2. Within 180 days from the date on which the commercial bank under special control receives a written request from the special controlling board as prescribed in Clause 7, article 167 or Clause 5, article 172 or Clause 6, article 178 of this Law, the transferee shall complete the preparation of the compulsory transfer plan and send it to the special controlling board.

3. Within 30 days from the date of receipt of the compulsory transfer plan by the expected compulsory transferee, the special controlling board shall assess and report to the State Bank on the feasibility of the compulsory transfer plan for commercial banks under special control.

4. After receiving the report of the special controlling board, the State Bank shall consider and approve the plan on compulsory transfer of the commercial bank under special control.

5. Where the compulsory transfer plan proposes special lending measures of the State Bank at an interest rate of 0%/year without collateral, the State Bank shall submit to the Prime Minister for consideration and decision the special loan at an interest rate of 0%/year, There is no collateral prior to the approval of the compulsory transfer plan.

6. The time limit specified in Clauses 2 and 3 of this article may be extended by the State Bank but not exceeding twice that time limit.

7. Where the compulsory transfer plan is not approved and does not fall into the case where the compulsory transferee is appointed as prescribed in Clause 1, article 180 of this Law, the State Bank shall request the commercial bank under special control to formulate a bankruptcy plan in accordance with this Law.

Article 180. *Formulate and approval of a plan for compulsory transfer of a commercial bank under special control in case of appointment of compulsory transferees*

1. The State Bank shall submit to the government to designate the recipient of a compulsory transferee of a commercial bank under special control upon fully satisfying the following conditions:

a) Commercial banks under special control in the cases specified at Point a, Clause 1, article 179 of this Law;

b) There is no party applying for compulsory transfer specified at Point b, Clause 1, article 179 of this Law or the compulsory transfer plan is not approved as prescribed in Clause 4, article 179 of this Law;

c) The bankruptcy of a commercial bank under special control risks would cause insecurity of the credit institution system.

2. The party designated to receive the transfer must fully satisfy the conditions specified in article 184 of this Law.

3. After the government makes a decision to appoint a compulsory transferee, the compulsory transferee shall complete the preparation of a plan on compulsory transfer of a commercial bank under special control within 180 days from the date of receipt of a written request from the State Bank.

4. The order and time limit for approving the compulsory transfer plan in case of appointment of a compulsory transferee shall comply with the provisions of Clauses 3, 4, 5 and 6, article 179 of this Law.

5. In case the compulsory transferee cannot be appointed or the compulsory transfer plan is not approved, the State Bank shall request the commercial bank under special control to formulate a bankruptcy plan in accordance with this Law.

Article 181. *Contents of the compulsory transfer plan*

The compulsory transfer plan includes the following principal contents:

1. Information about party receiving the compulsory transfer [the compulsory transferee];
2. A plan on increasing charter capital and the time-limit for achieving same;
3. A business operational plan consistent with the actual status of the commercial bank under special control in each period;
4. A plan on restructuring organization, management and executive operation;
5. A plan on dealing with current issues including weaknesses, bad debts and security assets;
6. A plan on dealing with monetary deposits from clients being legal entities, and with other monetary deposits and loan monies from other credit institutions; and a plan on dealing with special loans which have been borrowed including the special loans prescribed in clause 3, articles 162 of this Law.
7. The plan on dealing with shares and capital contribution portions of the transferee in the commercial bank under special control after such compulsory transfer and which exceed the stipulated limits in article 186 of the Law;
8. Support measures specified in article 182 of this Law;
9. The roadmap for compliance with the provisions of articles 136, 137, 138 and Clause 3, article 144 of this Law;
10. The roadmap and time limit for implementation of the compulsory transfer plan.

Article 182. *Support measures for implementing a plan for compulsorily transferred commercial banks*

1. Compulsorily transferred commercial banks may apply one or more of the following measures:
 - a) The sale of bad debts without collateral or bad debts with secured assets which collateral is being disbursed, secured assets without valid records and papers for the purchase, sale and settlement organization of debt;

- b) To receive deposits or loans from the compulsory transferee under the compulsory transfer plan or as agreed;
- c) Purchase debts and corporate bonds held by the compulsory transferee which are classified as eligible debt groups; the resale of debts and corporate bonds to the compulsory transferee as agreed upon or in case these debts are converted into bad debts;
- d) To be compulsorily appointed by the transferee to appoint personnel to participate in the management, administration and control; to support in information technology and other activities as agreed;
- dd) Exemption from loan interest on refinancing loans or special loans from the State Bank;
- e) To obtain special loans from the State Bank, deposit insurance organizations and other credit institutions as prescribed at Point b, Clause 1, Clause 2, article 192 of this Law;
- g) Other measures under the authority of the State Bank.

2. Loans, guarantees and deposits of compulsory transferees and other credit institutions to compulsorily transferred commercial banks shall be subject to a risk factor of 0% when calculating the capital adequacy ratio and classified as qualified debts during the implementation of the compulsory transfer plan.

Article 183. *Organizing implementation of a plan on compulsory transfer*

1. The State Bank shall issue a decision requiring compulsory transfer after the plan on compulsory transfer has been approved.

As from the date on which the State Bank issues such decision, all rights and interests of the owner, capital contributing members and shareholders of the commercial bank required to compulsorily transfer shall be terminated.

2. The State Bank shall make a decision to write down the entire charter capital of compulsorily transferred commercial banks in order to reduce accumulated losses accordingly.

3. A compulsory transfer decision includes the following principal contents:

- a) Name of the compulsory transferee; the name of the commercial bank to be compulsorily transferred before and after the compulsory transfer; the legal form and charter capital, owners, capital-contributing members and shareholders of the commercial bank after compulsorily transfer;
- b) The termination of all rights and interests of owners, capital-contributing members and shareholders of compulsorily transferred commercial banks;
- c) Responsibilities of the compulsory transferee and the compulsorily transferred commercial bank according to the approved compulsory transfer plan and the provisions of the law.

4. The transferee is obliged to do the following:

- a) To exercise the rights of owners, capital-contributing members and shareholders at compulsorily transferred commercial banks;
- b) To implement the approved compulsory transfer plan.

5. The commercial bank under special control must, after the transfer, conduct the following:

- a) To carry out procedures for changing licenses;

b) To implement the approved plan on compulsory transfer.

6. In necessary cases the State Bank shall make a submission to the government to issue a decision amending or supplementing the plan on compulsory transfer, including an extension of the term for implementing such plan.

7. In case of amending or supplementing a special loan measure with an interest rate of 0%/year without collateral in the compulsory transfer plan, the State Bank shall submit it to the Prime Minister for consideration and decision on such amendment or supplementation.

8. The State Bank shall inspect and supervise the implementation of the approved compulsory transfer plan.

9. If on expiry of the term for implementing the plan on compulsory transfer the commercial bank under special control has failed to remedy the situation which resulted in its being placed under special control, then the State Bank shall consider making a submission to the Government to issue an in-principle decision on bankruptcy of the commercial bank under special control in accordance with this Law.

Article 184. *Conditions applicable to a compulsory transferee*

1. Compulsory transferee means one or more of the following organizations:

a) A domestic credit institution or a foreign credit institution;

b) Domestic and foreign enterprises;

c) Other organizations.

2. The compulsory transferee, being a domestic credit institution, must fully satisfy the following conditions:

a) Have conducted profitable business according to independently audited financial statements for at least two (2) consecutive years before the time of applying for compulsory transfer or being appointed to receive compulsory transfer;

b) Meet the prudential ratios specified in article 138 of this Law;

c) Have a feasible compulsory transfer plan.

3. A transferee not being a credit institution must satisfy the following conditions:

a) Be a legal entity;

b) Satisfy the conditions specified at Points a and c, Clause 2 of this article.

Article 185. *Rights and obligations of the compulsory transferee*

1. The compulsory transferee being a credit institution shall have the following rights and obligations:

a) Ownership of 100% charter capital of the commercial bank being the compulsory transferor in the case of conversion to a single member limited liability company;

- b) The level of capital contribution and shareholding purchase by the credit institution being the compulsorily transferred transferee at the commercial bank being the compulsory transferor shall be implemented in accordance with the ratio prescribed in the approved plan on compulsory transfer and exceed the limit of the percentage of share ownership and contributed capital specified in Clauses 2 and 3, article 63, Clause 1, article 77 and Clause 2, article 137 of this Law;
- c) Not required to consolidate the financial statements of the commercial bank being the compulsory transferor;
- d) Entitled to exclude the commercial bank being the compulsory transferor when calculating its consolidated capital adequacy ratio;
- dd) To exclude credit balances for compulsorily transferred commercial banks when calculating the ratios and limits specified in Clause 4, article 135, Clauses 1 and 2, article 136 of this Law;
- e) To be accounted for in operating expenses for expenditures on remuneration, salaries and bonuses for persons seconded, designated, appointed or selected to participate in the management, administration and control of compulsorily transferred commercial banks;
- g) To coordinate with commercial banks under special control in formulating compulsory transfer plans; to organize the implementation, amendment and supplementation of the approved compulsory transfer plan;
- h) To select and introduce personnel eligible to participate in the management, administration and control of compulsorily transferred commercial banks;
- i) To manage and supervise the organization and operation of compulsorily transferred commercial banks;
- k) To lend and deposit money at compulsorily transferred commercial banks under the compulsory transfer plan or as agreed;
- l) A term sale or sale of debts and corporate bonds which are classified as eligible debts to commercial banks to be compulsorily transferred as agreed; to buy back debts and corporate bonds sold to commercial banks to be compulsorily transferred in case these debts are converted into bad debts;
- m) The capital contributed to the compulsorily transferred commercial bank is not required to make provisions for discounting investments and is excluded when calculating the limit on capital contribution or share purchase by the compulsory transferee;
- n) To sell or issue shares of credit institutions receiving compulsory transfer to foreign investors in accordance with the compulsory transfer plan;
- o) To borrow for refinancing at an interest rate equal to the interest rate of the compulsorily transferred transferee to lend or deposit money at compulsorily transferred commercial banks; the amount and duration of the loan for refinancing must not exceed the amount and time limit for the transferee to compulsorily lend or deposit money at the compulsorily transferred commercial bank;

- p) To be entitled to a 50% reduction in the compulsory reserve ratio;
- q) There are no restrictions on the rate of purchase, holding and investment of Government bonds and bonds guaranteed by the Government specified at Point d, Clause 1, article 138 of this Law;
- r) To issue long-term bonds to deposit insurance organizations under decisions of the State Bank;
- s) To apply other measures decided by the State Bank within its authority.

2. The compulsory transferee which is not a credit institution has the rights and obligations specified at Points a, b, c, e, g, h, i, m and n, Clause 1 of this article and may deposit money at a compulsorily transferred commercial bank under the compulsory transfer plan or as agreed.

Article 186. *Dealing with shares and capital contribution portions which exceed the prescribed limits*

1. The transferee is obliged to reduce the percentage of ownership of shares and contributed capital at compulsorily transferred commercial banks through the increase of charter capital, the transfer of shares, capital contribution portions to new investors and other measures as prescribed by law to ensure compliance with the limits specified in Clauses 2 and 3, article 63, Clause 1, article 77 and Clause 2, article 137 of this Law according to the time limit specified in the compulsory transfer plan.

2. In case of failure to comply with the provisions of Clause 1 of this article, the transferee is obliged to merge, consolidate or dissolve the compulsorily transferred commercial bank.

3. The settlement of shares and capital contribution specified in Clause 1 of this article shall be carried out before the time limit specified in the approved compulsory transfer plan when fully satisfying the following conditions:

- a) Completion of the increase of charter capital according to the approved compulsory transfer plan;
- b) One (1) year has expired after the effective date of the decision on compulsory transfer.

Section 5. DISSOLUTION OR BANKRUPTCY OF A SPECIALLY CONTROLLED CREDIT INSTITUTION

Article 187. *Dissolution of a credit institution under special control*

1. A credit institution under special control shall be dissolved when it falls into one of the following cases:

- a) Being able to pay debts in full;
- b) Having a credit institution take over all debt obligations.

2. In case of dissolution as prescribed at Point a, Clause 1 of this article, the special controlling board shall submit to the State Bank for decision the dissolution of the credit institution under special control.

3. In case of dissolution as prescribed at Point b, Clause 1 of this article, the special controlling board shall request the credit institution under special control to coordinate with the credit institution receiving all debt obligations in formulating an asset liquidation plan, including a plan to purchase part or all of the assets, at the same time, receive the transfer of all debt obligations of the credit institution under special control, support measures for the credit institution to receive all debt obligations and submit it to the State Bank for approval.

For people's credit funds, the asset liquidation plan must be consulted by the cooperative bank before sending it to the State Bank.

4. A credit institution that receives all debt obligations must fully satisfy the following conditions:

a) Conduct profitable business operations for at least 02 years preceding the time of application for receipt of all debt obligations according to independently audited financial statements;

b) To satisfy the safety ratio specified in Clause 1, article 138 of this Law at the time of requesting the receipt of all debt obligations.

5. The dissolution and liquidation of assets of a credit institution under special control upon dissolution shall comply with the provisions of Clause 1, article 204 of this Law and other relevant laws.

Article 188. *Bankruptcy plan of a credit institution under special control*

1. A bankruptcy plan of a credit institution under special control shall be formulated in one of the following cases:

a) The credit institution under special control does not have a restructuring plan within the time limit specified in Clause 1, article 169, Clause 1, article 176 of this Law and does not meet the conditions for compulsory transfer specified in Clause 1, article 179, Clause 1, article 180 of this Law, not eligible for dissolution specified in Clause 1, article 187 of this Law;

b) Commercial banks in the cases specified in Clause 7, article 179, Clause 5, article 180, Clause 9, article 183 of this Law;

c) Credit institutions in the cases specified in Clause 2, article 204 of this Law;

d) The credit institution under special control shall propose a bankruptcy plan within 60 days from the date of receipt of a written request from the special controlling board specified in Clause 7, article 167 or Clause 5, article 172 or Clause 6, article 178 of this Law.

2. The special controlling board shall coordinate with the credit institution under special control and Vietnam Deposit Insurance in formulating a bankruptcy plan for the credit institution under special control and proposing the State Bank to submit it to the government for its consideration, except for the cases specified in Clause 3 of this Article.

After the bankruptcy plan is approved, the State Bank shall submit to the Prime Minister for decision on the deposit insurance payment limit for depositors, up to a maximum equal to the amount of the insured individual's deposits at the credit institution.

3. The special controlling board shall coordinate with the specially controlled people's credit fund, deposit insurance organizations and cooperative banks in formulating a plan for bankruptcy of the specially controlled people's credit fund and proposing the State Bank to submit to the Prime Minister for a decision the deposit insurance payment limit for depositors' money, up to the maximum amount of the individual's deposit insured at the people's credit fund.

After the Prime Minister makes a decision on the deposit insurance limit, the special controlling board shall coordinate with the specially controlled people's credit fund, deposit insurance organizations and cooperative banks in finalizing the bankruptcy plan for the specially controlled people's credit fund and submit it to the State Bank for approval.

Article 189. *Contents of the bankruptcy plan*

The bankruptcy plan shall include the following principal contents:

1. Assessment of the actual status and the process of dealing with the credit institution under special control which is the subject of the in-principle decision on bankruptcy;
2. Assessment of the impact of implementation of the bankruptcy plan by the credit institution under special control on the safety of the credit institution system;
3. The expected limit of payment of deposit insurance for individual depositors; and the payment schedule and duration;
4. The roadmap and responsibilities for implementing the bankruptcy plan.

Article 190. *Organizing implementation of the bankruptcy plan*

1. After the bankruptcy plan has been approved, the deposit insurance organization shall coordinate with the credit institution under special control in paying deposit insurance to depositors under the bankruptcy plan.

2. In case the amount of money in the professional reserve fund of a deposit insurance organization is insufficient to pay depositors as prescribed in Clause 1 of this article, the State Bank shall issue special loans to deposit insurance organizations.

Deposit insurance organisations shall develop plans to increase deposit insurance premiums to offset special loans; use money from repayment of special loans of credit institutions, revenues from the sale of valuable papers held by deposit insurance organizations, the liquidation of assets of special loan credit institutions, and deposit insurance premiums to give priority to repayment of special loans to the State Bank.

3. The State Bank shall direct, inspect and supervise implementation of the approved bankruptcy plan, including requesting the credit institution under special control to lodge a petition requesting the court to open bankruptcy procedures in accordance with the law on bankruptcy

4. In case of necessity, the State Bank shall decide to amend or supplement the bankruptcy plan for the people's credit fund or submit it to the government for a decision to amend or supplement the bankruptcy plan for other credit institutions.

5. The order and procedures for bankruptcy of a credit institution shall comply with the provisions of article 203 of this Law and the *Law On Bankruptcy*.

Chapter XI

HANDLING CASES WHERE A CREDIT INSTITUTION IS WITHDRAWN EN MASSE; LOANS, SPECIAL LOANS

Article 191. *Handling cases where credit institutions are withdrawn en masse*

1. Credit institutions subject to mass withdrawal shall report to the State Bank and immediately take the following measures:

- a) Not to pay cash dividends; to suspend or restrict credit extension activities and other activities using funds of credit institutions; other solutions to meet deposit payment requirements for clients;
- b) To take measures in the restructuring plan in the situation of mass withdrawal specified in article 143 of this Law; to update and adjust the plan in case of need.

2. Where a credit institution undergoing early intervention suffers from mass withdrawal, such credit institution shall report to the State Bank on the status of mass withdrawal and review and reassess the situation in order to formulate and adjust restructuring plans according to the provisions of articles 158 and 160 of this Law. The credit institution shall implement the formulated and adjusted restructuring plan.

3. A credit institution may apply the following support measures when it has experienced mass withdrawal:

- a) To sell valuable papers to the State Bank in open market operations at an interest rate of 0%;
- b) To conduct foreign currency transactions with the State Bank to ensure liquidity as prescribed by the Governor of the State Bank;
- c) Commercial banks, cooperative banks, people's credit funds and microfinance institutions entitled to special loans from the State Bank; special loans from deposit insurance organizations in accordance with the law on deposit insurance; special loans from other credit institutions.

Article 192. *Special loan cases*

1. A credit institution may borrow special loans from the State Bank or other credit institutions in the following cases:

- a) To pay deposits to depositors as prescribed in article 191 of this Law;
- b) To implement the restructuring plan, or the compulsory transfer plan.

2. Commercial banks, cooperative banks, people's credit funds and microfinance institutions may obtain special loans from deposit insurance organizations in accordance with the *Law On Deposit Insurance*.

3. Cooperative banks shall only provide special loans to people's credit funds as prescribed by the Governor of the State Bank.

Article 193. *Authority to decide on loans, interest rates and collateral for special loans*

1. The State Bank shall make decisions on the provision of special loans, loans with interest rates and secured assets to credit institutions. The interest rate and collateral of special loans from the State Bank shall comply with regulations of the Governor of the State Bank.

2. Cooperative banks shall make decisions on the provision of special loans to people's credit funds.

3. Deposit insurance institutions and other credit institutions shall make decisions on the provision of special loans to credit institutions.

4. The Prime Minister shall make decisions regarding the State Bank's special loans, loans with interest rates of 0%/year or loans without collateral to credit institutions on the basis of proposals of the State Bank.

Article 194. *Principles for dealing with special loans*

1. Special loans shall be prioritized for repayment before all other debts and financial obligations, including debts and financial obligations with collateral of the special borrower.

2. Cooperative banks shall be entitled to account for the reduction of the people's credit fund system safety guarantee fund to handle irrecoverable special loan amounts.

3. The Governor of the State Bank shall provide further detail for the implementation of the provision of special loans.

Chapter XII

SETTLEMENT OF BAD DEBTS AND COLLATERAL

Article 195. *Bad debt*

Bad debts to which the provisions of this Chapter apply shall include:

1. Bad debts of credit institutions and foreign bank branches shall include bad debts being accounted for in the balance sheet as prescribed by the Governor of the State Bank, bad debts that have used risk provision to handle but have not yet recovered debts and are monitoring off the balance sheet;
2. Bad debts that the purchase, sale and settlement organization has purchased from a credit institution or a foreign bank branch but has not yet recovered the debt.

Article 196. *Sale of bad debts and collaterals of bad debts*

Credit institutions, foreign bank branches, organizations that purchase and sell and settle bad debts and security assets of bad debts shall be open and transparent in accordance with the provisions of the law. The selling price of bad debts and collateral of bad debts may be higher or lower than the principal balance of bad debts.

Article 197. *Buying and selling bad debts of debt purchase and settlement organizations*

1. Debt purchase, sale and settlement organizations may purchase bad debts of credit institutions at market value or purchase them with special bonds, and may convert bad debts purchased with special bonds into bad debts purchased at market prices as prescribed by the Governor of the State Bank. Debt purchase, sale and settlement organizations may only buy bad debts of joint-venture credit institutions, credit institutions with 100% foreign capital and foreign bank branches at market value.
2. Debt purchase, sale and settlement organizations may sell bad debts to legal entities and individuals.
3. Debt purchase, sale and settlement organizations may agree with credit institutions to divide the remaining value of the amount recovered from bad debts after deducting purchase prices and processing costs.

Article 198. *Buying and selling bad debts with collateral being land use rights, land-attached assets and land-attached assets formed in the future*

1. The purchaser of a debt originating from a bad debt of a credit institution or a foreign bank branch whose collateral is a land use right, land-attached property or land-attached property formed in the future is entitled to receive a mortgage, registration of the mortgage of land use rights, assets attached to land, or assets attached to land formed in the future as security assets of purchased debts.
2. The purchaser of a debt originating from a bad debt of a credit institution or a foreign bank branch whose collateral is a land use right, land-attached property or land-attached property formed in the future shall inherit the rights and obligations of the mortgagee.

3. Debt purchase, sale and settlement organizations may register mortgages when receiving additional security assets which are land use rights, land-attached assets or land-attached assets formed in the future of purchased debts.

4. The registration of land changes for secured assets means land use rights and land-attached assets of debts originating from bad debts of credit institutions and foreign bank branches; the registration of mortgages for land use rights, land-attached assets and land-attached assets formed in the future of debts originating from bad debts of credit institutions and foreign bank branches shall comply with the Government's regulations.

Article 199. *Order of priority of payment when dealing with collateral of bad debts*

1. The proceeds from the disposal of security assets of bad debts shall be divided using the following order of priority:

- a) Expenses for preserving secured assets;
- b) Expenses for the seizure and disposal of secured assets;
- c) Court fees of court judgments and decisions related to the disposal of secured assets;
- d) Taxes and fees directly related to the transfer of such security assets, including personal income tax and registration fees;
- dd) Debt obligations secured to credit institutions, foreign bank branches, and debt purchase and settlement organizations;
- e) Other obligations without security as prescribed by law.

2. Where an asset is used to secure the performance of many obligations, the order of priority of payment between the parties receiving the security shall comply with the provisions of civil law and other relevant laws.

Article 200. *Transfer of collateral*

1. Agencies competent to register ownership and use rights of assets shall carry out procedures for transferring ownership and use rights of assets to purchasers and transferees of secured assets of bad debts of credit institutions and foreign bank branches.

2. Except for court fees, taxes and charges directly related to the transfer of secured assets of bad debts as prescribed in article 199 of this Law, the secured party or the transferee shall not be required to pay on behalf of or perform the guarantor's other taxes, fees and charges obligations from the amount of the transfer of the secured assets of the bad debt when executing current procedures for registration, change of ownership and right to use secured assets of such bad debts. The payment of taxes by the guarantor or transferee related to the transfer of secured assets of such bad debts shall comply with the provisions of tax law.

3. Credit institutions, foreign bank branches, debt management and asset exploitation companies of credit institutions, asset management companies of Vietnamese credit institutions established and operating in accordance with the law on credit institutions are entitled to transfer all or part of real estate projects that are secured assets ensure to recover debts in accordance with the provisions on transfer of all or part of real estate projects of the *Law On Real Estate Business* and other relevant laws, but not to apply regulations on conditions for real estate business entities to the transferor of real estate projects of the *Law On Real Estate Business*.

Chapter XIII

RESTRUCTURING, DISSOLUTION, BANKRUPTCY, LIQUIDATION, FREEZING OF CAPITAL AND ASSETS

Article 201. *Restructuring of a credit institution*

1. Credit institutions may be restructured by way of division, separation, consolidation, merger, acquisition or conversion of legal form, or transformation of type of non-bank credit institutions after obtaining written approval from the State Bank.
2. The State Bank shall provide specific regulations on conditions, files, order and procedures for approval of restructuring of a credit institution.

Article 202. *Dissolution or termination of operation of a credit institution or a foreign bank branch*

[A credit institution or foreign bank branch shall be dissolved in the following circumstances:]

1. A credit institution or foreign bank branch does not apply for an extension or request an extension or applies for an extension but such application is not approved by the State Bank upon expiry of its operation term.
2. The license of the credit institution and or foreign bank branch has its license revoked.
3. A credit institution or foreign bank branch voluntarily requests to be dissolved and is capable of settling all outstanding debts, and the State Bank provides written approval to the dissolution.
4. Credit institutions entitled to early intervention or special control which have other credit institutions take over all debt obligations.

Article 203. *Bankruptcy of a credit institution*

1. Any credit institution which remains insolvent after the State Bank has provided a document terminating special control or terminating or not applying measures to recover solvency shall submit a petition to the court to commence procedures to resolve an application for a declaration of bankruptcy in accordance with the law on bankruptcy
2. Upon receipt of the application from the credit institution as stipulated in clause 1 of this article, the court shall commence procedures for resolution of the application for declaration of bankruptcy and shall immediately apply measures to liquidate the assets of the credit institution in accordance with the law on bankruptcy.
3. After a judge appoints an administrator or enterprise to manage or liquidate assets, the State Bank shall revoke the licence of the credit institution.

Article 204. *Liquidation of assets of credit institutions and foreign bank branches in case of dissolution or termination of operation*

1. Upon dissolution or termination of operation as prescribed in article 202 of this Law, credit institutions and foreign bank branches shall liquidate assets under the supervision of the State Bank and according to the order and procedures for asset liquidation prescribed by the Governor of the State Bank.
2. If during supervision of liquidation of assets of the credit institution being dissolved, it is discovered that such credit institution is unable to pay its debts in full, then the State Bank shall

issue a decision terminating liquidation and implementing a bankruptcy plan in accordance with the provisions of Section 5, Chapter X and article 203 of this Law.

3. Credit institutions and foreign bank branches subject to asset liquidation shall be responsible for paying all expenses related to the liquidation of assets.

Article 205. *Freezing capital and assets of a foreign bank branch*

1. In necessary cases in order to protect the interests of depositors, the State Bank may freeze part or all of the capital and assets of a foreign bank branch.

2. The State Bank shall provide specific regulations on cases of freezing and termination of freezing of capital and assets of a foreign bank branch.

Chapter XIV

STATE MANAGEMENT

Article 206. *Responsibilities of state management agencies*

1. The Government shall perform the unified State administration of banking operations nationwide.

2. The State Bank is the focal point agency to assist the Government in performing the unified state administration of the organization and operation of credit institutions, foreign bank branches and foreign representative offices.

3. The Ministry of Finance shall perform the state management of securities and securities market activities, insurance agency activities for credit institutions, foreign bank branches, subsidiaries and affiliated companies of credit institutions in accordance with the *Law on Securities*, *Law on Insurance Business* and other relevant laws.

4. Ministries and ministerial-equivalent bodies shall, within the scope of their respective duties and powers, perform the state management of credit institutions, foreign bank branches and foreign representative offices in accordance with the law.

5. People's Committees at all levels shall perform State administration over credit institutions, foreign bank branches and foreign representative offices operating in their localities in accordance with the law.

Article 207. *Authority to conduct checks, inspection and supervision*

1. The State Bank shall conduct checks, inspection and supervision of credit institutions, foreign bank branches, and representative offices in Vietnam of foreign credit institutions and other foreign organizations conducting a banking operation in accordance with the *Law of the State Bank of Vietnam* and other relevant laws.

2. The Government inspectorate shall inspect credit institutions and foreign bank branches in accordance with the law on inspection.

3. The Ministry of Finance has the following responsibilities:

a) To examine, inspect and supervise securities and securities market activities of credit institutions, foreign bank branches, subsidiaries and affiliated companies of credit institutions in accordance with the Law on Securities and other relevant laws;

b) To inspect and supervise insurance agency activities of credit institutions, foreign bank branches, subsidiaries and affiliated companies of credit institutions in accordance with the *Law On Insurance Business* and other relevant laws;

c) To assume the prime responsibility for, coordinate with and share information with the State Bank in the process of implementing the provisions at Points a and b of this Clause.

4. Within the scope of their functions, duties and powers, ministries and ministerial-equivalent bodies shall inspect, examine and supervise credit institutions, foreign bank branches and foreign representative offices according to their authority.

Article 208. *Rights and obligations of entities subject to inspection and supervision*

1. To promptly provide complete and accurate information and data upon request by the State Bank during the process of inspection or supervision and at the same time to be liable for the accuracy and truthfulness of the information and data provided.

2. To take responsibility for the accuracy and truthfulness of provided information and documents.

3. To ensure the ability to connect and access online data in service of supervision activities of the State Bank in accordance with regulations of the Governor of the State Bank.

4. To be entitled to submit a report or explanatory statement in relation to any recommendation on or warning of a risk and/or operational safety from the State Bank.

5. To implement any recommendation on or warning of a risk and/or operational safety made by the State Bank.

6. To implement inspection conclusions and handling decisions of the State Bank, the government inspectorate and other agencies in accordance with the law.

7. Other rights and obligations as prescribed by law.

Chapter XV

ENFORCEMENT TERMS

Article 209. *Enforceability*

1. This Law takes effect from 1 July 2024, except for the provisions of Clause 2 of this article.

2. Clause 3, article 200 and Clause 15, article 210 of this Law take effect from 1 January 2025.

3. The Law on Credit Institutions No. 47/2010/QH12 has been amended and supplemented with a number of articles under Law No. 17/2017/QH14 which expires from the effective date of this Law, except for the provisions of Clauses 1, 2, 3, 4, 8, 9, 12 and 14, article 210 of this Law.

Article 210. *Transitional provisions*

1. Credit institutions, foreign bank branches, and representative offices of foreign credit institutions and other foreign organizations conducting a banking operation which were established and conducted their operation in accordance with a licence issued by the State Bank before the effective date of this Law, shall not be required to carry out procedures to apply for re-issuance of a licence pursuant to this Law. In case of modification or supplementation of a license, it must comply with the provisions of this Law.

2. In the case of loan contracts signed before the effective date of this Law, credit institutions, foreign bank branches and clients may continue to perform the signed contracts until expiry of such

loan contracts. Any amendment or addition to the aforesaid credit contracts, other transactions or agreements may only be made if such amendment, supplementation or addition is consistent with the provisions of this Law, except for the case of restructuring the debt payment term of contracts, other transactions or credit issue agreements in accordance with the provisions of banking law.

For other contracts and transactions, indefinite-term agreements with contents inconsistent with the provisions of this Law signed before the effective date of this Law, credit institutions, foreign bank branches and clients may continue to perform until 30 June 2025. After this time, credit institutions, foreign bank branches and clients must terminate or amend or supplement contracts, other transactions or security agreements in accordance with the provisions of this Law.

3. A credit institution under special control that has a special loan from the State Bank until the effective date of this Law and there is not yet an approved restructuring plan, the parties may continue to comply with the signed special loan contract and be considered for extension of the special loan according to regulations of the Governor of the State Bank.

4. Promissory notes and bills issued with an outstanding balance until the effective date of this Law, credit institutions, foreign bank branches and purchasers of promissory notes and bills shall continue to comply with the agreed contents until the promissory notes and bills are fully paid.

5. Credit institutions that make capital contributions or purchase shares of enterprises or other credit institutions specified at Point b, Clause 5, article 137 of this Law, subsidiaries of credit institutions that make capital contributions or purchase shares specified in Clause 5, article 137 of this Law before the effective date of this Law and shareholders, shareholders and related persons at commercial banks owning shares exceeding the ratio specified in article 55 of the *Law on Credit Institutions* No. 47/2010/QH12 which has been amended and supplemented with a number of articles under Law No. 17/2017/QH14 must develop and implement a roadmap to ensure compliance with the provisions of this Law as prescribed by the Governor of the State Bank.

6. Security assets of bad debts means real estate projects that have been seized under the provisions of article 7 of Resolution No. 42/2017/QH14 on piloting bad debt settlement of credit institutions (hereinafter referred to as Resolution No. 42/2017/QH14) or are carrying out transfer procedures as prescribed in article 10 of Resolution No. 42/2017/QH14 before the date this Law takes effect but until the effective date of this Law and has not yet been processed, it may continue to apply the provisions of article 10 of Resolution No. 42/2017/QH14 from 1 January 2024 until the processing has been completed.

7. The recognized receivable interest of bad debts of credit institutions that have not been divested according to regulations, the difference between the carrying value of the debt being accounted for in the balance sheet and the selling price of the bad debt and the specific reserve amount set aside for this debt being allocated according to the provisions of article 16 of Resolution No. 42/2017/QH14 will continue to comply with the provisions of article 16 of Resolution No. 42/2017/QH14 from 1 January 2024 until 14 August 2027.

8. Managers, executives and other positions of credit institutions and foreign bank branches elected or appointed before the effective date of this Law without satisfying the provisions of articles 41, 42 and 43 of this Law may continue to hold office until the end of their term of office or until the expiry of their elected term or appointment.

The board of management of a credit institution elected before the effective date of this Law without satisfying the provisions of Clauses 1 and 3, article 69 of this Law may continue to operate until the end of the term of the board of management.

By the effective date of this Law, the members' council of a credit institution being a single member limited liability company whose number of members exceeds the number specified at Point a, Clause 1, article 73 of this Law must make adjustments to ensure compliance with the provisions of Point a, Clause 1, article 73 of this Law before the date 1 July 2025.

Until the effective date of this Law, the board of controllers of a commercial bank whose number of members has not complied with the provisions of Clause 2, article 51 of this Law may continue to maintain the number of members of the board of controllers as prescribed in Clause 2, article 44 of the amended *Law on Credit Institutions* No. 47/2010/QH12, supplementing a number of articles under Law No. 17/2017/QH14 until the end of the term of office of the board of controllers and members of the board of controllers, except for cases where commercial banks elect, appoint or replace members of the board of controllers.

9. A credit institution under special control that has been granted a decision on the restructuring policy before the effective date of this Law and does not fall into the cases specified in Clause 10 of this article, the adjustment of the policy, formulation and approval of the restructuring plan shall comply with the provisions of Section 1, 1b, 1c, 1d, 1e Chapter VIII of the *Law on Credit Institutions* No. 47/2010/QH12 has been amended and supplemented with a number of articles under Law No. 17/2017/QH14 on adjustment of guidelines, formulation and approval of plans.

The plan on restructuring a credit institution under special control approved before the effective date of this Law shall continue to comply with the approved plan. The amendment and supplementation of the approved restructuring plan shall comply with the provisions of this Law.

10. With regard to a credit institution whose license has been revoked or fails to incur banking operations within 12 consecutive months before the effective date of this Law, the following shall be applied:

a) A credit institution in case of dissolution as prescribed in article 202 of this Law shall dissolve according to the provisions of this Law and other relevant laws;

b) A credit institution that is not dissolved under the provisions of article 202 of this Law shall proceed with bankruptcy according to the provisions of article 203 of this Law and other relevant laws.

11. From the effective date of this Law, shareholders, shareholders and related persons owning shares exceeding the share ownership ratio specified in article 63 of this Law may continue to maintain shares but may not increase their shares until complying with the provisions on the share ownership ratio as prescribed by this Law, except in the case of receiving dividends in shares.

The maximum share ownership ratio of a major shareholder, a shareholder and related persons at a commercial bank performing national defence services exceeding the share ownership ratio specified in article 63 of this Law before the effective date of this Law may continue to maintain the share ownership ratio in accordance with the provisions of Clauses 2, 3 and 4, article 55 of the *Law on Credit Institutions* No. 47/2010/QH12 have been amended and supplemented with a number of articles under Law No. 17/2017/QH14.

12. A credit institution that is complying with a restructuring plan decided by a competent authority before the effective date of this Law may continue to comply with the decided plan until the plan is completed, except for the case specified in Clause 9 of this article.

13. Microfinance programs and projects of socio-political organizations and non-governmental organizations that are being implemented before the effective date of this Law are not subject to adjustment of organizations and operations in accordance with the provisions of this Law but comply with the Government's regulations.

14. Credit institutions and foreign bank branches that have been licensed to perform factoring operations and letters of credit before the effective date of this Law may perform the operations specified at Points dd and e, Clause 3, article 107, Point e, Clause 1, article 114, Clause 6, article 115, Point dd, Clause 1, article 119, Point a, Clause 1, article 120 and Point g, Clause 1, article 124 of this Law without having to amend or supplement the license.

15. Credit institutions, foreign bank branches, debt management and asset exploitation companies of credit institutions, asset management companies of Vietnamese credit institutions established and operating in accordance with the law on credit institutions may transfer all or part of real estate projects already accepted as assets ensuring that before the effective date of this Law to recover debts, regulations on conditions for real estate business entities must not apply to the transferor of real estate projects of the *Law On Real Estate Business*, but must satisfy the following conditions:

a) The transferred real estate project must satisfy the conditions specified at Points a, d, dd, g and h, Clause 1, article 40 of the *Law on Real Estate Business* No. 29/2023/QH15 and must have a decision on land allocation or land lease by a competent state agency;

b) The project transferee must satisfy the conditions specified in Clauses 2, 4 and 5, article 40 of the *Law on Real Estate Business* No. 29/2023/QH15.

This Law was adopted by the XV National Assembly of the Socialist Republic of Vietnam, 5th extraordinary session on 18 January 2024.

PRESIDENT OF THE NATIONAL ASSEMBLY

Wang Dinh Hue