

## LEGAL UPDATE (June 10<sup>th</sup>, 2024)

In this issue, we would like to bring to your attention to the following:

- **Proposal for Licensing and operations of microfinance institutions**
- **Amending regulations on foreign investment activities on the Vietnamese stock market**

### 1. **Proposal for Licensing and operations of microfinance institutions**

The State Bank of Vietnam is collecting opinions on a draft Circular regulating the documents, Licensing procedure, organization and operations of microfinance institutions.

The Draft Circular regulates that the Governor of the State Bank decides to grant Licenses to microfinance institutions.

Licensing fees for microfinance institutions License are implemented under the law on fees and charges. Within 15 working days from the date of issuance of the License, the microfinance institution must pay the fee at the Operation Centre of the State Bank of Vietnam.

Preparatory Board prepares a set of documents requesting approval in principle according to regulations and sends them to the State Bank.

Within 10 working days from the date of receiving the application for in-principle approval, the State Bank shall send a document to the Preparatory Board confirming receipt of all valid documents; In case the dossier is incomplete, the State Bank shall issue a written request for amendment and completion.

Within 05 working days from the date of confirmation of receipt of complete and valid documents, the State Bank will send a document to collect opinions from units allowed to give opinions.

Within 15 working days from the date of receiving the written request from the State Bank, the units whose opinions were consulted must submit their written opinions.

Within 60 working days from the date of receipt of complete and valid documents, the State Bank shall issue a document approving the principles of establishing a microfinance institution and approving the list of personnel expected to be elected and appointed as members of the Member Assembly, member of the Board of Controllers, President of a company of the microfinance institution; In case of disapproval, the State Bank shall send a document to the Preparatory Committee, clearly stating the reason.

Within 60 working days from the date of receiving the in-principle approval document for establishing a microfinance institution, the Preparatory Board prepares an application for a License according to regulations and sends it to the State Bank. Past this deadline, if the State Bank does not receive or

receives an incomplete application for a License, the in-principle approval document is no longer valid.

Within 02 working days from the date of receiving the complete application for a License, the State Bank will confirm in writing that it has received the complete application.

Within 30 working days from the date of receipt of the complete application for License according to regulations, the State Bank shall issue the License; In case of not granting a License, the State Bank shall issue a document clearly stating the reason.

After being granted a License, the microfinance institution carries out the necessary procedures to start the operations according to regulations.

### **Operational content of microfinance institutions**

Microfinance institutions are only allowed to make loans in Vietnamese Dong to microfinance customers for use in income-generating activities and improving living conditions. Microfinance institutions are not allowed to lend to customers to buy or invest in stock.

Loans from microfinance institutions can be secured by compulsory savings, guarantees from savings and loan customer groups according to the regulations of the microfinance institution.

The total loan balance of a microfinance institution to a microfinance customer specified in Points a, b and c, Clause 6, Article 3 of this Circular must not exceed 50 million VND.

The total loan balance of a microfinance institution to a microfinance customer specified in Point d, Clause 6, Article 3 of this Circular must not exceed 100 million VND.

Microfinance institutions are allowed to open payment accounts at the State Bank, commercial banks, and foreign bank branches. Microfinance institutions are not allowed to open payment accounts for customers.

## **2. Amendment of regulations on foreign investment activities in the Vietnamese stock market**

The Ministry of Finance is seeking comments on the draft Circular amending and supplementing a number of articles of Circular No. 51/2021/TT-BTC guiding the obligations of organizations and individuals in foreign investment activities on the Vietnamese stock market.

The draft amending and supplementing regulations on Indirect Investment Capital Account (Article 3) is as follows:

Foreign investors in the case of opening an indirect investment capital account according to the provisions of law on foreign exchange management open 01 indirect investment capital account at 01 custodian bank obtaining the license for foreign exchange trading in order to perform indirect investment activities in Vietnam's securities market. Each issuer of depositary receipts in a foreign country shall be allowed to open 01 indirect investment capital account at 01 custodian bank obtaining the license for foreign exchange trading in order to issue or cancel depositary receipts and perform other relevant activities in accordance with regulations of law.

All activities such as transmitting money to perform transactions or investments and make payments relating to securities investment activities of foreign investors in the case of open an opening an indirect investment capital account according to the provisions of law on foreign exchange administration and activities of issuers of depositary receipts in foreign countries, receiving and using dividends or distributed profits, or buying foreign currency for the purpose of remitting them to foreign countries (if any) and other relevant transactions must be carried out through indirect investment capital accounts.

The draft also amends and supplements regulations on obligations in investment activities on the Vietnamese stock market. Accordingly, the relevant foreign investor group is responsible for appointing 01 depository member or 01 securities company or 01 securities investment fund management company or their representative office (if any) or 01 other organization or authorizing an individual to perform the obligation to report ownership and disclose information according to the provisions of law on information disclosure on the stock market.

The notification of appointment or change of the organization or individual fulfilling the obligations to make ownership reports and disclose information shall be made using the form in Appendix I enclosed herewith and sent to SSC and the subsidiary of VNX within 24 hours after the appointment or authorization takes effect. Such notification shall be accompanied by the securities trading license or enterprise registration certificate or certificate of fund establishment or other documents of equivalent validity of the appointed organization, or the valid copy of ID card or citizen's identity card or unexpired ID card or another valid personal identification paper in the case of authorized foreign individuals

We hope this Newsletter would bring you useful information.

Best regards.

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