

13 May 2008

Vietnam
Finance

Vietnam: The Regulation on Opening and Closing of Branches and Representative Offices of Non-Bank Credit Institutions

Summary

On 9 January 2008, the State Bank of Vietnam issued Decision No. 01/2008/QD-NHNN relating to the opening and closing of operation of branches and representative offices of Non-Bank Credit Institutions (NBCI) ("**Decision 01**"). Decision 01 applies to financial companies, finance leasing companies and other NBCIs operating in Vietnam. Decision 01 shall replace Decision 24/2003/QD-NHNN of the Governor of the State Bank dated 7 January 2003.

Full Update

Under Decision 01, an NBCI which has operated for one year shall be permitted to open a branch/representative office if it satisfies all the following conditions:

Opening a branch:

- Have the requisite amount of paid-up charter capital in order to open a branch;
- Have satisfied the prudential ratios during its operation and at the time of the request to open the branch, and the prudential ratios during each month of the year of such request;
- Have issued rules on the internal management of the operation of the branch;
- The pre-tax profit on the business operation in the year prior to the year in which the NBCI proposes to open its branch, should have been not less than 20% over average equity;
- The managerial and executive apparatus, the internal checks and control system and the internal auditing system of the NBCI must comply with State Bank regulations and have no breach of the current regulations on operation;
- The geographical area in which it is proposed to open the branch must be appropriate for the operational requirements of the NBCI which must be able to prove that its branch will be economically efficient after it is opened;
- Bad debts ratio up until the time of opening the branch must be less than 3% of the total outstanding debt balance for finance leasing companies or 2% for financial companies.

Opening a representative office:

- Have operated for at least 1 year;
- Have a need to open a representative office in order to advertise its operation, to seek out clients and to manage clients;
- Be in a healthy financial condition, and satisfy the regulations on ensuring safety during operation;
- The managerial and executive apparatus, the internal checks and control system and the internal auditing system of the NBCI must comply with State Bank Regulations and have no breach of the current regulations on operation;
- Have issued rules on internal management of the operation of the representative office.

An NBCI must satisfy the following conditions in order to open an offshore branch or representative office, in addition to satisfying the conditions stipulated above:

- The NBCI has operated for at least 3 years;
- The NBCI has a plan for the offshore operation which is feasible, and which proves the necessity for opening the offshore branch or representative office;
- An NBCI may only open an offshore branch or representative office in countries or territories which have already signed an agreement with Vietnam on inspection and supervision of operations.
- The NBCI provides an undertaking to complete the procedures relating to opening of the branch or representative office as stipulated by the law of the host country or territory.

The NBCI must commence the operation of its branch or representative office within a time-limit of six months from the date the State Bank provides written approval for the opening of such branch or representative office. The State Bank shall revoke its written approval for opening of a branch or representative office upon the expiry of the stipulated time-limit.

The operation of a branch or representative office shall be terminated in the following circumstances:

- The State Bank revokes its written approval for the NBCI to open such branch or representative office due to failure to satisfy the conditions on commencement of operation within the stipulated time-limit, or due to the operation committing a serious breach of law.
- A voluntary request to close the branch or representative office where there is no longer an operational need.
- The NBCI having such branch or representative office declared bankrupt or dissolved in accordance with the law.

The decision made by the NBCI on termination of the operation of its branch or representative office must be sent to the State Bank of Vietnam, to the State Bank branch in the province or city where the head office of the NBCI is situated and to the State Bank branch in the province or city where such branch or representative office is located. The decision must also be publicly listed at the branch or representative office, and must be published in three consecutive issues of a central or local newspaper 15 days prior to the date on which the operation will be terminated.

Within 1 year from the date on which Decision 01 takes effect, NBCIs must check the whole of their systems of branches, representative offices and transaction rooms (the "subsidiary offices"), and must themselves amend the numbers of such subsidiary offices; and they must issue rules on internal management of the operation of such subsidiary offices, ensuring they operate correctly in accordance with the provisions of Decision 01.

For further information, please contact:

Nguyen Suong Dao (dao.nguyen@mayerbrownjms.com)

Than Nu Ngoc Tram (tram.than@mayerbrownjms.com)

Learn more about our [Vietnam offices](#) and [Finance practice](#).

Copyright 2008. JSM, Mayer Brown LLP and/or Mayer Brown International LLP. All rights reserved. This publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is intended to provide a general guide to the subject matter and is not intended to provide legal advice or a substitute for specific advice concerning individual situations. Readers should seek legal advice before taking any action with respect to the matters discussed herein. Please also read the JSM legal publications [disclaimer](#).

If you are not currently on our mailing list and would like to be, or to provide feedback on our Client Alerts, please send an email to contact.edits@mayerbrown.com with your contact information. If you do not wish to receive further email messages from us, please email contact.edits@mayerbrown.com with "Remove" as its subject heading. 如閣下不想再收到我們的電郵，請電郵至 contact.edits@mayerbrown.com。孖士打律師行，香港中環，遮打道十號，太子大廈十六至十九樓(電話號碼: (852) 2843 2211, 傳真號碼: (852) 2845 9121)。

Mayer Brown is a global legal services organization comprising legal practices that are separate entities ("Mayer Brown Practices"). The Mayer Brown Practices are: JSM, a Hong Kong partnership, and its associated entities in Asia; Mayer Brown LLP, a limited liability partnership established in the United States; and Mayer Brown International LLP, a limited liability partnership incorporated in England and Wales. The Mayer Brown Practices are known as Mayer Brown JSM in Asia.

JSM
16th-19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong
Tel: (852) 2843 2211
Fax: (852) 2845 9121
www.mayerbrownjsm.com