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Vietnam  
Finance

## Vietnam: Pricing Mechanism for Bank Loans and Deposit

### Summary

The State Bank of Vietnam has introduced a new decision regulating the pricing mechanism for bank loans and deposits in Vietnamese Dong (VND).

### Full Update

On 16 May 2008, the Governor of the State Bank of Vietnam (SBV) promulgated Decision No. 16/2008/QD-NHNN ("**Decision 16**") regulating pricing mechanism for bank loans and deposits.

Pursuant to Decision 16, interest rates offered by credit institutions for VND loans and VND deposits to customers may not exceed 150 percent of the base rate announced by the SBV. The SBV resets the base rate on a monthly basis but the SBV also reserves the right to adjust the base rate at any time.

Whilst it is clear that Decision 16 will not apply to foreign currency loans and foreign currency deposits, there are still a number of issues which remain unresolved:

- (a) Article 1 of Decision 16 specifically states that the "interest rates for fund mobilisation" will be subject to the restriction as set forth in Decision 16. It indicates that this would also affect the pricing of short term and long term debt instruments issued by banks (such as certificates of deposit or bonds).
- (b) Although it is not free from doubt, it seems that the interest rate limit in Decision 16 does not apply to repos/straight secondary sale of debt instruments involving credit institutions.
- (c) It seems that Decision 16 would also apply to interbank funding market transactions (such as overnight deposits). Further consultation with the SBV in this regard would be necessary if a bank intends to price interbank market transactions in excess of the interest rate limit set forth in Decision 16.

Decision 16 will take effect as from Monday 19 May 2008.

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