LEGAL UPDATES

The Circular No. 16/2021/TT-NHNN on the purchase and sale of corporate bonds by credit institutions and branches of foreign banks

29/11/2021

On November 10th, 2021, the Governor of the State Bank has promulgated the Circular No. 16/2021/TT-NHNN to replace the Circular No. 22/2016/TT-NHNN and the Circular No. 15/2018/TT-NHNN (hereinafter referred to as "**Circular No. 16/2021**") regulating the purchase and sale of corporate bonds by credit institutions and branches of foreign banks with the following noteworthy points:

1. Conditions for corporate bonds to be traded in transactions

The Circular No. 16/2021/TT-NHNN sets forth a new provision on the conditions that corporate bonds must satisfy before being sold or purchased in transactions as follows:

- The corporate bonds must be issued in accordance with the laws of Vietnam;
- The corporate bonds must be issued in Vietnam Dongs;
- The corporate bonds must be legally owned by the seller, must not have matured for full payment of principal and interest and must be committed by the seller to be undisputed, allowed for transactions by law and not be involved in any forward trading, discount, re-discount (except cases where credit institutions purchase corporate bonds being issued for sale for the first time).

In addition, Circular No. 16/2021/TT-NHNN also supplements some principles that credit institutions and branches of foreign banks (hereinafter referred to as "**credit institutions**") should take into consideration before purchasing corporate bonds, such as ensuring that the issuing enterprise commits to buy back the bonds prior to maturity when changing the purpose of using the money earned from the issuance of such bonds while those bonds are in the possession of the credit institution and the issuing enterprise does not have bad debt at any credit institutions within the last 12 months before the credit institution purchases the corporate bonds.

2. Credit institutions are only allowed to purchase corporate bonds if their bad debt ratio is below 3%

When the Circular No. 16/2021 takes effect, credit institutions are only allowed to purchase corporate bonds if their bad debt ratio is below 3% according to the most recent classification period as regulated by the State Bank of Vietnam on the classification of current assets, deduction rate, method of setting up plans for risk prevention and the use of prevention to handle operational risks of credit institutions prior to the time of purchasing corporate bonds.

Furthermore, Circular No. 16/2021 also stipulates certain cases where credit institutions are not allowed to purchase corporate bonds as follows:

- The corporate bonds issued for the purpose of restructuring the issuing enterprise's debts;
- The corporate bonds issued for the purpose of contributing capital, acquire shares at other enterprises;
- The corporate bonds issued for the purpose of increasing the scale of operational capital.

Circular No. 16/2021/TT-NHNN will take effect from January 15th, 2022, enterprises should pay attention to the aforementioned new points to comply with provisions of law.

Download the Legal update as a PDF here.

RELATED LEGAL UPDATES

The Circular No. 16/2021/TT-NHNN on the purchase and sale of corporate bonds by credit institutions and branches of foreign banks

The Decree No. 97/2021/ND-CP amending, supplementing certain provisions of the Decree No. 23/2018/ND-CP on compulsory fire and explosion insurance

The Decree No. 98/2021/ND-CP on medical devices management

Draft Decree on the management of export and import goods transacted via e-commerce

The draft Circular guiding the contents of foreign exchange management for enterprises' foreign borrowing and debt repayment

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