

Client Alert

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For further information, please contact:

Oanh Nguyen
Partner
+84 24 3520 2629
Oanh.Nguyen@bakermckenzie.com

Dang Chi Lieu
Partner
+84 24 3936 9341
ChiLieu.Dang@bakermckenzie.com

Nguyen Thanh Hai
Senior Associate
+84 24 3936 9606
ThanhHai.Nguyen@bakermckenzie.com

Vietnam's New Guidelines on Bancassurance Agreements between Banks and Insurers

Recent developments

The State Bank of Vietnam (**SBV**) recently issued Circular No. 37 providing guidelines on bancassurance distribution transactions, particularly insurance agency operations by credit institutions and foreign bank branches ("**banks**") for insurance enterprises ("**insurers**").¹

Previously, bancassurance distribution arrangements between banks and life insurers were regulated by Joint Circular No. 86. Following the issuance of the new regulations on the insurance business for insurers under Circular No. 50² and Decree No. 73,³ Circular No. 37 was issued to replace Joint Circular No. 86 and clarify the rights and obligations of banks in regards to bancassurance arrangements.⁴

Governing scope

In regards to bancassurance deals, Vietnamese law regards banks as agents of the insurer and bancassurance distribution agreements as insurance agency agreements.

Joint Circular No. 86 applied to bancassurance arrangements between banks and life insurers only. Circular No. 37 expands this governing scope to include general (non-life) insurance companies and re-insurance companies.

Required content for bancassurance agreements

Under Circular No. 37, bancassurance agreements between banks and insurers must contain the same details required in typical insurance agency contracts, as per the Law on Insurance Business (which includes: name, address and obligations of banks and insurers, contents and scope of the bancassurance agreement, commission, term and dispute resolution mechanisms).

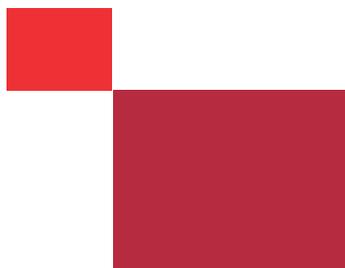
In addition, Circular No. 37 requires that bancassurance agreements outline (i) the provision and review of customer information and related information; and (ii) arrangements for the collection and payment of insurance premiums between the bank and the insurer.

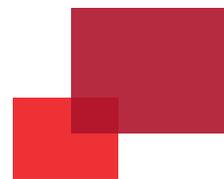
¹ Circular No. 37/2019/TT-NHNN of the State Bank of Vietnam guiding insurance agency activities of credit institutions and foreign bank branches for insurance enterprises (**Circular No. 37**). Circular No. 37 comes into effect on 2 March 2020.

² Circular No. 50/2017/TT-BTC of the Ministry of Finance dated 15 May 2017 guiding the implementation of Decree No. 73/2016/ND-CP of the Government dated 1 July 2016 guiding the implementation of the Law on Insurance Business ("**Circular No. 50**").

³ Decree No. 73/2016/ND-CP of the Government dated 1 July 2016 guiding the implementation of the Law on Insurance Business.

⁴ Joint Circular No. 86/2014/TTLT-BTC-NHNNVN dated 2 July 2014 of the Ministry of Finance and the State Bank of Vietnam guiding on insurance agency activities of credit institutions, foreign bank branches for life insurers ("**Joint Circular No. 86**").





Scope of insurance agency operations by banks

Circular No. 37 inherits the previous provisions of Joint Circular No. 86 in terms of the scope of insurance agency operations by banks.

However, Circular No. 37 expressly recognizes the right of banks to offer insurance products via electronic platforms, online methods and any other methods under the law, in addition to traditional distribution channels/methods conducted via physical premises.

In regards to the collection of insurance premiums, banks may collect insurance premiums from customers on behalf of insurers. However, under Circular No. 37, banks are not permitted to use collected insurance premiums for any purposes other than those set out in the bancassurance agreement.

Customer data

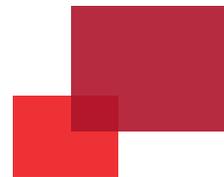
In comparison to Joint Circular No. 86, Circular No. 37 expands the scope of information that banks must provide to insurers. Specifically, under Circular No. 37, banks are required to provide insurers with the following minimum details:

- For customer referrals and product offerings: name, age, gender, address, phone number and email address of individual customers; or name, address, phone number, email address and contact person of corporate customers;
- For arrangements for the execution of insurance policy contracts: information relating to the insurance buyers and insured as well as information necessary for insurers to assess whether to issue an insurance policy;
- For collection of insurance premiums: a schedule listing the number of customers whose premiums have been paid and collected as well as the total amount of collected premiums.
- For arrangements for settling claims and paying insurance proceeds in accordance with insurer authorizations: a schedule of payable insurance proceeds and requests as well as supporting documents for claims.

Other key issues in bancassurance deals

In addition to the above matters, Circular No. 37, together with other relevant regulations on insurance and retail banking, further impacts bancassurance deals in regards to the following:

- exclusivity rights;
- manpower support (training programs, insurance agent certificates for bank staff);
- insurers' access to the customer databases of banks (and the implications under data protection and privacy regulations);



www.bakermckenzie.com

Baker & McKenzie (Vietnam) Ltd.
12th Floor, Saigon Tower
29 Le Duan, Blvd District 1
Ho Chi Minh City, Vietnam
Tel: +84 28 3820 5585
Fax: +84 28 3829 5618

Baker & McKenzie (Vietnam) Ltd.
– Hanoi Branch
Unit 1001, 10th floor
Indochina Plaza Hanoi
241 Xuan Thuy Street
Cau Giay District
Hanoi 10000, Vietnam
Tel: +84 24 3825 1428
Fax: +84 24 3825 1428

- compensation payable by insurers to banks e.g. commissions, and expenditures for management of insurance agents as well as other expenditures (and any tax rule implications);
- development of products;
- intellectual property issues related to joint ownership or co-banding;
- promotional and marketing activities; and
- business structure and other regulatory issues.

Next steps

Circular No. 37 takes effect from 2 March 2020 without clarifying any transitional mechanisms or the impact to bancassurance agreements executed before its effective date.

Insurers and banks may want to review existing and new bancassurance agreements to assess the impact and compliance issues of Circular No. 37.

Considering Circular No. 37's expanded governing scope in relation to the general (non-life) insurance space, relevant banks and non-life insurers may also want to review existing bancassurance agreements.