

## Client Alert

March 2020

For further information, please contact:

Yee Chung Seck  
Partner  
+84 28 3520 2633  
[YeeChung.Seck@bakermckenzie.com](mailto:YeeChung.Seck@bakermckenzie.com)

Oanh Nguyen  
Partner  
+84 28 3520 2629  
[Oanh.Nguyen@bakermckenzie.com](mailto:Oanh.Nguyen@bakermckenzie.com)

Dang Linh Chi  
Special Counsel  
+84 24 3936 9350  
[LinhChi.Dang@bakermckenzie.com](mailto:LinhChi.Dang@bakermckenzie.com)

## Key regulatory issues for financial institutions in Vietnam during the Coronavirus outbreak

In recognition of the growing complexity and unpredictability of the Coronavirus (COVID-19) pandemic worldwide and locally, the State Bank of Vietnam ("**SBV**") has issued guidance and various recommendations for credit institutions and branches of foreign banks ("**FIs**").

### Regulatory Standards and Best Practices

#### 1. Business continuity

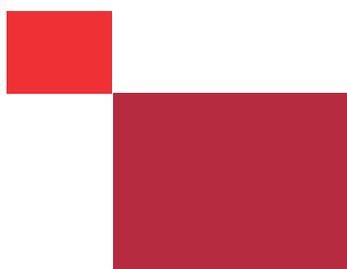
- Annual key targets for the economy in general and for the banking and finance sectors in particular shall remain unchanged, especially regarding the stabilization of the financial market, inflation control, growth support and restructuring together with resolution of non-performing loans of FIs. Accordingly, the Government maintains average inflation below 4%, increasing credit limit of 14% and the increasing total payment means of 13% in 2020. In addition, so far the State Securities Commission confirmed that the stock exchanges of Vietnam will be open per normal regardless of Coronavirus.
- Online banking and virtual conferences are encouraged.
- Prepare business continuity plans to procure the ongoing operation of banking services.

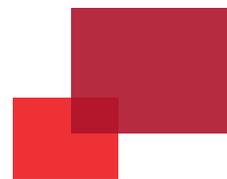
#### 2. Cutback interest rates

- The SBV reduced several interest rates to boost the economic activity in responding the revolution of the Coronavirus pandemic:
  - Refinancing rate being cut from 6.0% p.a to 5.0% p.a.
  - Discount rate being reduced from 4% p.a to 3.5% p.a.
  - Overnight lending rate in the interbank market being decreased from 7% p.a to 6% p.a. The overnight interbank interest rate updated on 19 March 2020 is 1.95% p.a.
  - Maximum VND lending interest rate for short-term loans being lowered from 6% p.a to 5.5% p.a.
  - Interest-rate cap for VND deposits with maturities of one month to less than 6 months being trimmed down from 5% p.a to 4.75% p.a.

#### 3. Debt repayment term restructure, exemption and reduction of borrowing interest, debt group maintenance and credit extension for business stabilization

The key legal basis includes Circular No. 01/2020/TT-NHNN of SBV dated 13 March 2020.





- Customers who are (i) under obligation to repay the principals and/or interest arising between 23 January 2020 and the following day after 03 months from the date the Prime Minister announces the end of the Covid-19 pandemic; and (ii) are unable to pay the debts and/or interest in due time because of decreases in revenues and incomes caused by the impacts of Covid-19 pandemic are entitled to the credit support by FIs ("**Covid-19 Affected Customers**"):
  - Exempt or reduce interest: FIs to waive or reduce the interest applicable to the Covid-19 Affected Customers in alignment with the FIs' internal regulations for the outstanding loans arising from credit extension operations (except for activities of buying and investing in corporate bonds);
  - Maintain classification with regard to the debt balances subject to loan repayment rescheduling, interest and/or fee exemption and reduction of the eligible debts affected by the Covid-19 outbreak. FIs should review and set up risk provisions for the restructured terms; but no need to escalate to the debt groups with higher risk levels.
  - Provide credit extension for business stabilization in accordance with the laws. However, the extension for each loan should not be over 12 months as from the original maturity date.
- FIs shall have great flexibility in determining customers being affected from the Covid-19 Affected Customers, including among others, the criteria regarding the customers' revenues and incomes reduced because of Covid-19 pandemic. For the time being, the SBV has no further instructions on the key criteria for such assessment.

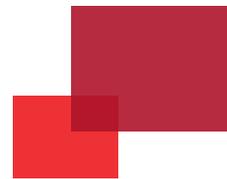
#### **4. Communications with Customers**

Until the termination of the Covid-19 outbreak as announced by the competent authorities:

- FIs do not require customers to unwear face masks as required under Official Letter No. 7777/NHNN-PHKQ dated 16 October 2018 of the SBV on strengthening the prevention of robbery crime at the bank, maintenance of treasury safety and cash payment, while conducting necessary measures to ensure the same. This does not apply during customer verification process which is mandatory for certain transactions.
- Bank staffs may wear masks when conducting transactions with customers.
- Increase online credit activities, cut down unnecessary procedures to reduce travelling and direct contact with customers.

#### **5. Information technology, capability and cybersecurity**

- Take initiatives to ensure business continuity during the Covid-19 outbreak, especially the personnel plan necessary for the maintenance of the operation, security and safety of the information technology system and network management.



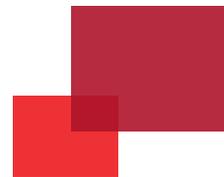
- Conduct online meetings rather than physical gatherings to the furthest extent as possible.
- FIs take the initiative in cooperating with the SBV provincial branches to get recommendations from the provincial competent authorities regarding the organization of the general meeting of shareholders/members' council meeting.

## **6. Work Environment, Monitoring and Reporting of infection cases**

- Conduct regular sterilization at the work place, especially areas with high risks of infection such as meeting rooms and frequently used equipment.
- Require all staff to strictly comply with the instructions on medical reporting and self-quarantine; promptly report to the medical institutions and work place in case of suspected infection.
- Conduct examination of body temperature for staff and customers before entering the premises by relevant methods; require cases of infection, cough and fever to promptly get treatment from medical institutions; track the suspected infection cases and promptly report to the competent authorities.
- Consider to temporarily terminate travel to foreign countries and infected countries and areas, as well as recommend staff not to travel abroad (even for personal purposes).

## **7. Treasury activities**

- Conduct regular sterilization in cash transaction areas, treasuries and ATMs, cash collected before being stored at the end of the day or sent to the SBV.
- Provide face masks, hand gloves, disinfectant and personal protective equipment for staffs who directly contact cash at points of transactions of the FIs.
- Promote and develop online banking products to promote non-cash payment and reduce cash payment.
- In order to promote non-cash payment and electronic payment for public services, payment service providers are instructed to urgently develop plans for the exemption and reduction of electronic payment service fees in order to directly support the service customers and in line with the NAPAS's Program for Exemption and Reduction of Service Fees as follows:
  - Exemption for online payment transactions of public services via the national, ministerial and provincial Public Service Gateway. As of 4 March 2020, there have been 32/45 member banks of the NAPAS participating in the program of exemption and reduction of interbank money transfer fees for customers.
  - Remittance fee reduction for urgent and small value transactions



[www.bakermckenzie.com](http://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

## Actions to consider

Due to the growing complexity and unpredictability of the Covid-19 outbreak, the SBV requires FIs to:

- Read the most updated official information about the outbreak and explicitly follow the instructions from the competent authorities (i.e., the above discussed) to take initiatives in conducting measures to effectively prevent and combat the outbreak.
- Continue to implement solutions to support enterprises and individuals suffering from the Covid-19 outbreak as per the instructions from the Government, the Prime Minister (especially Directive No. 11/CT-TTg), the SBV Governor and relevant ministries and local authorities.
- Given that each bank would have different conditions for eligible Covid-19 Affected Customers, businesses should contact and follow-up with banks for the details criteria and necessary statistic for applying the entitlements, especially the revenues and incomes impacted by the pandemic.

It is expected that the SBV may have further instructions or adjustments on implementing the action plan addressing the Covid-19 outbreak from time to time depending on the movement of the pandemic.

\* \* \*

If you have any questions on the matters covered or need further clarification on any particular issue, please do not hesitate to get in touch with your usual contact at Baker McKenzie, or the lawyers listed in this client alert.