Vietnamese Bank Investment Considerations

Bank License

Foreign Ownership

Strategic Investor

Timing

Approval Process

Weak Bank

Key legal issues - Overview

asia counsel

Bank License

There is an unofficial moratorium on new foreign bank branch licenses and 100% foreign owned bank licenses. These new licenses could, however, be granted on a case by case basis based on the sole discretion of the State Bank of Vietnam (**SBV**). The rationale is that there is too many credit institutions in the banking sector and consolidation is the current priority of the Government. That said, acquisitions of existing banks are encouraged.

Strategic Investor

A strategic investor may own up to 20% of a bank. The criteria to be a strategic investor is below.

- The investor must be a credit or financial institution with total assets of more than USD 20 billion and is rated.
- The investor must have more than 5 years international banking experience.
- The investor must not hold more than 10% of any other credit institution in Vietnam.
- The investor must not assign the purchased shares within the first 5 years.
- The investor must provide technical support.

Approval Process

- The target bank lodges an acquisition application to the SBV.
- The investor will provide supporting document to the target bank.
- It is common for the SBV to request further information or to request clarification or amendment to the application.
- The SBV may also consult with other government departments.

Foreign Ownership

Vietnamese commercial banks are predominantly in the form of a public joint stock companies. Foreign ownership in these banks are below.

- A foreign individual can own up to 5%.
- A foreign entity can own up to 15%. If the entity wishes to own more than 10% then that entity must satisfy certain prescribed conditions (eg. rating and minimum assets).
- A strategic investor may own up to 20%.
- The total foreign ownership in a bank is 30%.

Timing

The prescribed timing to approve a bank acquisition is below.

- The target bank must approve the investment by the foreign investor within 20 days of a request from the investor.
- The SBV is required to issue an approval decision within 40 days after submission of a complete application.
- The foreign investor must pay the purchase price within 30 days after the SBV approval.

Note that timing does not include the negotiations between parties and consultations with the SBV. Typically a bank acquisition could take over a year to complete.

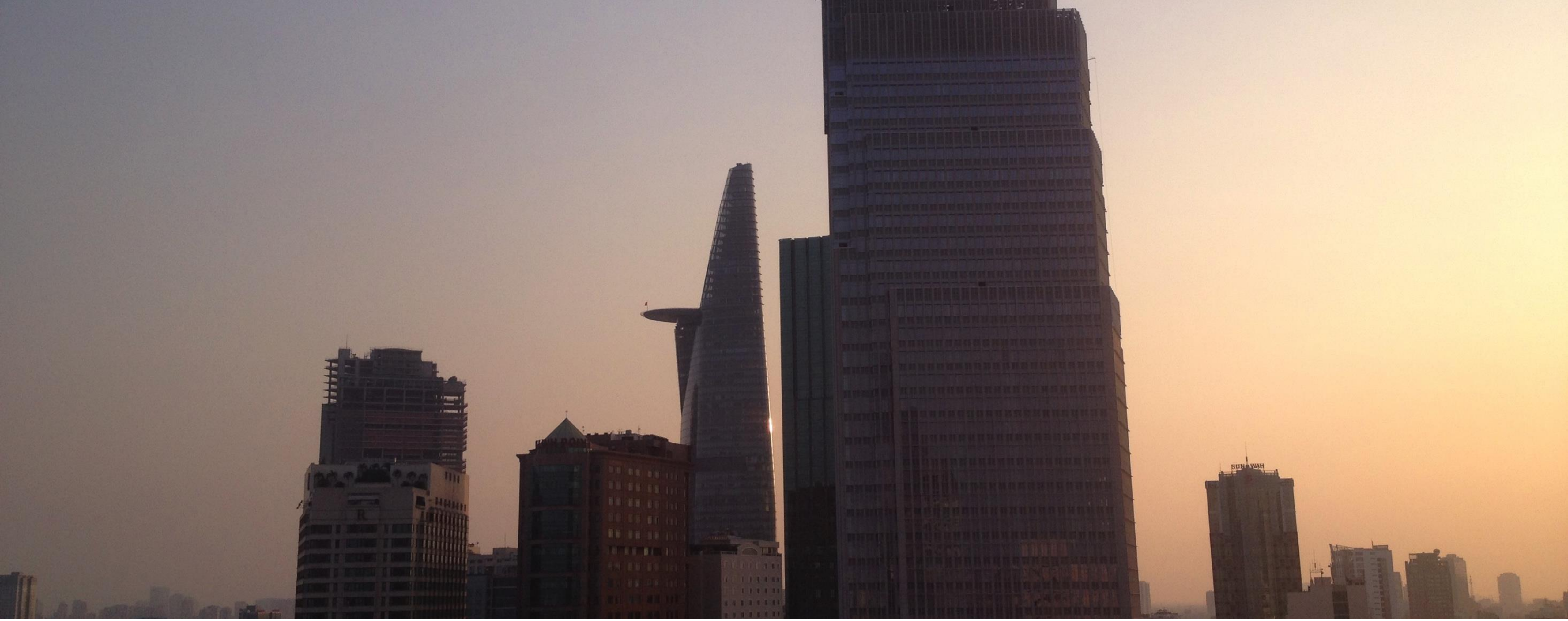
Weak Banks

The legislation permits foreign investors to acquire a weak bank at a higher foreign ownership than the prescribed limits. 100% foreign acquisition is possible.

Weak banks are banks under special control as determined by the SBV.

The Prime Minister must approve acquisitions of weak banks.

As well as satisfying other investment conditions, the foreign investor must submit a business plan instituting measures to restructure the bank with a view of making a long term investment in the bank.



Get In Touch

minh@asia-counsel.com