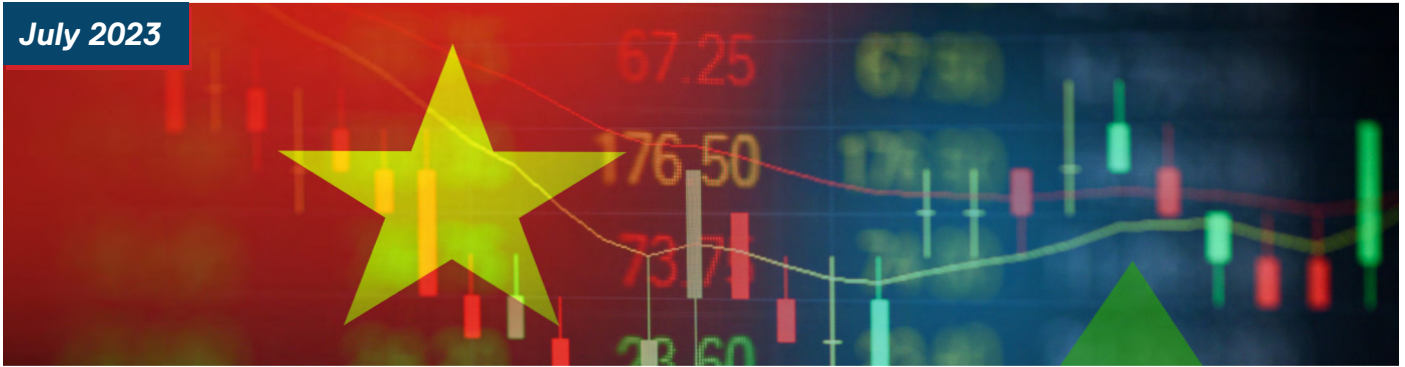


July 2023



Recent Changes to Regulations Governing Corporate Bonds Issued in Vietnam

In recent years, the Corporate Bond Market has taken one steady step after another forward to become one of the critical channels for raising funds for the economy, allowing enterprises to access medium-and long-term capital and thereby lessening pressure on the bank lending channel. Nevertheless, the recent economic downturn, which caused bottlenecks in cash flow in addition to grave wrongdoings by bond issuers that are all over the headlines, has discouraged investors from partaking in the market. The Vietnamese Government, with assistance from the Ministry of Finance and other related bodies, has been closely monitoring market fluctuations and issuing new legislation from time to time to enhance the legal framework for corporate bonds.

Recap on Developments of Legal Framework of Corporate Bonds

The regulatory framework for corporate bonds was first promulgated and introduced to the public in 2006 with Decree No. 52/2006/ND-CP. This was the first time ever that the Government issued a comprehensive decree paving the way for bond issuance in the private sector, while bonds had long been under the monopoly of state-owned companies.

Several legislations came after to amend and supplement Decree No. 52/2006/ND-CP until Decree No.153/2020/ND-CP was issued to replace its predecessor, taking effect from January 1, 2021, and even expanding the framework for private placement of corporate bonds. In parallel, the Law on Securities and its implementing documents govern the public offering of securities, including corporate bonds.

Newly Issued Decree Amending Decree No. 153/2020/ND-CP Brings Notable Changes

Decree No.153/2020/ND-CP which was once amended in 2022 by Decree No. 65/2022/ND-CP has recently adopted new changes following the issuance of Decree No. 08/2023/ND-CP with immediate effect. In response to the domestic market's needs, Decree No. 08/2023/ND-CP aims to untie some knots for bond issuers with the following key changes:

Settlement of issued bonds with other assets.

Previously, the bond issuers were obliged to fully and timely repay principal and interest of due bonds in VND to the bondholders as per terms and conditions associated with such bonds upon issuance. Now, the new decree permits the bond issuers, in the case of



offering bonds in the domestic market, to negotiate with the bondholders to settle due bonds with other assets instead of cash. Certain conditions must be met when making payment of issued bonds with other assets instead of cash, such as consent of the bondholders, compliance with regulations of the civil code and relevant laws (including without limitation specific regulations of conditional business lines where applicable), and disclosure of ad-hoc information.

Extension of maturity of issued bonds.

Under Decree No. 65/2022/ND-CP, enterprises are not allowed to alter the term of the bonds issued prior to the effective date of this decree. The new decree now permits the term of issued bonds to be extended to two years maximum, compared with the one stated in the initial issuance plan known to the investors. That being said, this merit is still subject to the bondholders' consent, as always. Lacking the same, bond issuers must observe their obligations to the bondholders as per the initial issuance plan.

Suspension of some articles of Decree No. 65/2022/ND-CP.

The new decree also suspends the effectiveness of some articles of Decree No. 65/2022/ND-CP until December 31, 2023 such as the identification of the eligibility of professional securities investors as individuals, time limits for the distribution of bonds in each offering, reports on the credit rating of bond issuers.

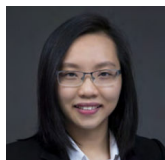
Barricades Removed for Enterprises Lacking Liquidity in General and Real Estate Businesses in Particular

In general, the gloomy market, which is lowering the liquidity of products and services, is putting many enterprises which raised financing through the bond channel to the verge of going out of business.

The Government has tightened regulations in particular in the real estate sector, where the majority of enterprises raise money through bonds, as a result of the sanctioning of real estate firms with a history of illegitimately raising bonds. This has caused a number of investors to lose faith and request fund withdrawals.

For companies raising cash through bonds in general and the real estate sector in particular, new points in Decree No. 08/2023/ND-CP act as a lifeline.

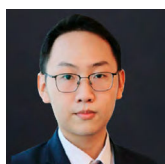
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