

THE STATE BANK OF VIETNAM

**Circular No. 39/2016/TT-NHNN dated December 30, 2016  
of the State Bank of Vietnam prescribing lending  
transactions of credit institutions and/or foreign bank  
branches with customers**

*Pursuant to the Law on the State Bank of Vietnam dated June 16, 2010;*

*Pursuant to the Law on Credit Institutions dated June 16, 2010;*

*Pursuant to the Government's Decree No. 156/2013/ND-CP dated November 11, 2013 on defining the functions, tasks, powers and organizational structure of the State Bank of Vietnam;*

*Upon the request of the Director of the Monetary Policy Department;*

*The Governor of the State Bank of Vietnam hereby promulgates the Circular on lending transactions of credit institutions and/or foreign bank branches with customers.*

**Chapter I**

**GENERAL PROVISIONS**

**Article 1. Scope of adjustment and subjects of application**

1. This Circular deals with lending transactions of credit institutions and/or foreign bank branches (hereinafter referred to as credit institution) with customers.
2. This Circular shall not cover lending transactions between credit institutions.

**Article 2. Definition**

For the purposes of this Circular, the terms used herein is construed as follows:

1. Lending refers to a form of extension of a line of credit under which a credit institution offers or undertakes to offer a customer a sum of money for specific uses within an agreed time period provided that that customer adheres to the principle that both principal and interest arising must be repaid.
2. Lending credit institution refers to a credit institution established and operated under the Law on Credit Institutions, including:
  - a) Commercial banks;
  - b) Cooperative banks;
  - c) Non-bank credit institutions;

d) Microfinance institutions;

dd) People's credit funds;

e) Foreign bank branches.

3. Customer performing a borrowing transaction with a credit institution (hereinafter referred to as borrowing customer) refers to any legal entity or individual, including:

a) Legal entities established and operated within the territory of Vietnam and/or those established abroad and legally operated within the territory of Vietnam;

b) Vietnamese and/or foreign nationals.

4. Loan for personal or living expenses (consumer loan) refers to a credit institution's granting a loan to an individual customer's demands for borrowed funds to pay consumption or living expenses for his/her personal or family purposes.

5. Loan for business or other operating purposes (business loan) refers to a credit institution's granting a loan to a legal entity or individual to meet the demands for borrowed funds other than those referred to in Clause 4 of this Article, including the demands for borrowed funds by that legal entity or individual, and the demands for borrowed funds by a business household or private company of which that individual is the legal owner.

6. Plan to use a borrowed fund is a collection of information about use of the borrowed fund by a customer, including at least the following information:

a) Total fund needed, details of capital constituents of total fund needed (inclusive of the fund borrowed from credit institutions); purposes of fund; fund spending time;

b) Customer's available sources of debt repayment;

c) Business plan or project (not applicable to the demands of borrowed fund for living purposes).

7. Financial capacity refers to a customer's capacity with respect to capital, asset or financial resources.

8. Loan term refers to a period of time starting on the day following the day when a credit institution begins to disburse the borrowed fund to a customer and ending on the day when that customer has to repay principal and interest amounts in full as agreed upon between the credit institution and customer.

Where the last day of loan term is a holiday or weekly day-off, the next day will be taken as the last day of loan term. If a loan term is not a full day, the

provision enshrined in the Civil Code on the date of commencement of a term is applied.

9. Repayment period refers to a set periods of time constituting the agreed loan term and, at the end of each of these time periods, a customer is obliged to repay loan principal and/or interest amounts in part or in whole to a credit institution.

10. Debt rescheduling refers to a credit institution's consent to adjustment to a repayment period or extension of a loan term according to the following provisions:

a) Adjustment to a repayment period is defined as a credit institution's agreeing to extend the agreed period of repayment of loan principal and/or interest in part or in full (including cases in which there is no change to the number of agreed repayment periods) while the loan term is kept unchanged;

b) Extension of a loan term is defined as a credit institution's agreeing to extend repayment of loan principal and/or interest for a period exceeding the agreed loan term.

11. Overdue principal is composed of:

a) The outstanding amount of principal to become delinquent as prescribed in Article 20 hereof;

b) The outstanding amount of principal on which a customer is delinquent in the event of a credit institution's termination of a loan or collection of debt prior to the due date as stipulated by Clause 1 Article 21 hereof.

### **Article 3. Autonomy of a credit institution**

1. A credit institution shall have autonomy over its lending operations and assume sole responsibility for its own lending decision. None of entities or individuals shall be allowed to illegally interfere in lending operations performed by a credit institution.

2. A credit institution shall be accorded the right to refuse customer's demands in violation of regulations hereof and loan agreements.

### **Article 4. Lending and borrowing rules**

1. Lending transactions between a credit institution and a customer shall be performed according to an arrangement between that credit institution and customer and in conformity with regulations laid down herein and other relevant laws, including the legislation on environmental protection.

2. The customer borrowing fund from the credit institution shall be bound to use these loans for the right purposes as stated in advance, make repayment of principal and interest amounts due within an agreed repayment period.

### **Article 5. Application of relevant legal instruments**

1. Lending operations carried out by a credit institution shall be required to comply with provisions of the Law on Credit Institutions, this Circular and other relevant legislation.

2. With respect to specific lending operations covered by regulations provided in particular documents of the Government, Prime Minister and State Bank of Vietnam, these regulations shall apply; to the extent of whether particular documents of the Government, Prime Minister and State Bank of Vietnam prescribe application of this Circular or contents relating to lending operations are not prescribed in particular documents, relevant provisions set forth in this Circular shall apply. Specific lending operations encompass:

- a) Syndicated loan;
- b) Loan extended to customers for their outward investments;
- c) Loan extended to customers doing business operations in socio-economic policies and programs of the Government or Prime Minister;
- d) Foreign-currency loan extended to resident customers;
- dd) Foreign loan extended to, or collection of foreign debt owed by, non-resident customers;
- e) Loan offered by people's credit funds or microfinance institutions;
- g) Consumer loan extended by finance companies;
- h) Other specific loans prescribed by particular documents of the Government, Prime Minister or State Bank of Vietnam.

### **Article 6. Usage of language**

1. A loan agreement shall be made either in Vietnamese or both in Vietnamese and other foreign language.

2. With respect to other documents concerning lending operations that use any foreign language, if there is any request of a regulatory authority for translation into Vietnamese, the translation copy must be certified by a competent person of a credit institution, or be legally notarized or authenticated.

### **Article 7. Conditions of loan**

A credit institution shall consider granting a decision to offer a loan to a customer who meets the following requirements:

1. If that customer is a legal person, it must have civil capacity in accordance with the civil law jurisdictions. If that customer is a natural person, (s)he must be aged exactly 18 years or older and have full capacity for civil conduct in accordance with the civil law jurisdictions, or must be aged between exactly 15 and nearly 18 years and must not have his/her incapacity or restricted capacity for civil conduct as provided by laws.
2. Demonstrate that customer's demands for a loan to be used for legally accepted purposes.
3. Establish that customer's plan for effective use of borrowed fund.
4. Prove the customer's sound financial capability to repay debt owed.
5. Where that customer obtains a loan from a credit institution on which the interest rate is prescribed by Clause 2 Article 13 hereof, it shall be rated transparent and healthy in its financial status by a credit institution.

#### **Article 8. Rejected loan demands**

Credit institutions shall not be allowed to approve the following loan demands:

1. Loans used for investing in sectors or activities prohibited by laws.
2. Loan used for paying expenses or meeting financial demands of transactions or acts which are prohibited by laws.
3. Loans used for purchasing or using goods or services in the list of sectors or activities prohibited by laws.
4. Loans used for buying gold bullions.
5. Loans used for repaying loan debts owed to lending credit institutions, except for those used for paying loan interest arising during the construction process of which cost is accounted for in the construction cost estimate approved by a regulatory authority in accordance with laws.
6. Loans used for repaying loan debts owed to other credit institutions and foreign loan debts, except for loans used for repaying debts prior to the payment due date that fully meet the following requirements:
  - a) Be a loan used for business activities;
  - b) Have the loan term that does not exceed the residual loan term of an older loan;
  - c) Be a loan under which the debt rescheduling has not been carried out.

### **Article 9. Loan application**

When there is a demand for a loan, a customer must send a credit institution documents evidencing its eligibility for such loan in accordance with Article 7 hereof and others as referred to in the credit institution's instructions.

### **Article 10. Types of loans**

A credit institution shall consider granting a decision to offer a loan to a customer which is divided into the following categories:

1. Short-term loan, defined as loans having the maximum loan term of 01 (one) year.
2. Medium-term loan, defined as loans having the loan term between above 01 (one) year and 05 (five) years at the maximum.
3. Long-term loan, defined as loans having the loan term of more than 05 (five) years.

### **Article 11. Currency units used for extending loans or repaying debts**

1. Credit institutions and their customers shall agree on a loan denominated either in Vietnamese dong or another foreign currency unit as appropriate to provisions laid down herein and relevant legislation.
2. Currency unit used for debt repayment is the one used in a loan.

### **Article 12. Limit of loan**

A credit institution shall consult the plan to use the borrowed fund, financial capability of a borrowing customer, credit lines extended to the borrowing customer and available capital source of the credit institution in order to enter into an agreement with the customer on the loan limit.

### **Article 13. Interest rate of loan**

1. A credit institution and its customer shall agree on the interest rate depending on capital demands and supplies on the market, loan demands and creditworthiness of customers, unless otherwise stipulated by the State Bank's regulations on the maximum interest rate set forth in Clause 2 of this Article.
2. A credit institution and customer shall agree on the interest rate on short-term loan denominated in Vietnamese dong but shall not allow it to exceed the maximum interest rate decided by the State Bank's Governor over periods of time in order to meet certain demands for borrowed fund as follows:

- a) Loans taken out to support the agricultural and rural development sector under regulations of the Government on credit policies for agricultural and urban development;
- b) Loans taken out to implement the export business plan in accordance with the Law on Commerce and other instructional directives thereof;
- c) Loans taken out to finance business activities of small and medium-sized enterprises under the Government's regulations on support for development of small and medium-sized enterprises;
- d) Loans taken out to develop ancillary industries under the Government's regulations on development of ancillary industries;
- dd) Loans taken out to finance business operations of high technology application enterprises under the provisions of the Law on High Technology and other instructional directives thereof.

3. Terms and conditions of an agreement on the interest rate shall comprise interest rate levels and methods for calculating the interest rate on a loan. Where the interest rate is not converted into %/year and/or the method for calculating the interest rate based on the actual outstanding amount of debt and time length of maintenance thereof is not applied, the loan agreement must include terms and conditions of the interest rate converted into %/year (one year is calculated as three hundred and sixty five of days) according to the actual outstanding amount of debt and time length of maintenance thereof.

4. If a customer fails to repay or fully repay the agreed amount of loan principal and/or interest at the payment due date, the customer shall be obliged to repay loan interest as prescribed hereunder:

- a) The amount of interest on principal is charged at the agreed interest rate in proportion to the period during which repayment of that principal due has not been made;
- b) If a customer fails to make due payment of interest as prescribed by Point a of this Clause, that customer must pay late payment interest charged at the interest rate agreed upon between the credit institution and customer which is not allowed to exceed 10%/year interest rate on the outstanding balance of late payment interest in proportion to the period of late payment;
- c) Where a debt has become delinquent, the customer owing a delinquent debt must pay interest on the outstanding amount of principal which is overdue in proportion to the period of late payment for which the interest rate charged is

not allowed to exceed 150% of the interest rate charged on due repayment that is determined upon the date of such debt becoming delinquent.

5. Where the variable interest rate is applied, a credit institution and customer must enter into an agreement on principles and factors for determination of the variable interest rate, and on the date of adjustment to the loan interest rate. In cases where referring to factors for determination of the variable interest rate results in different loan interest rates, the credit institution shall apply the lowest loan interest rate.

#### **Article 14. Fees on lending activities**

The credit institution and its customer must agree on collection of fees related to lending operations, including:

1. Exit fee paid by a customer for repayment of debt before the due date.
2. Fee paid for provisional credit limit.
3. Fee paid for syndicated loan arrangement.
4. Fee paid for a commitment to borrowed fund withdrawal during the period from the date of entry into force of the loan agreement to the date of initial disbursement of borrowed fund.
5. Other fees related to lending operations which are specified in relevant legal documents.

#### **Article 15. Guarantee of loan**

1. The credit institution and its customer shall agree on whether or not a security for a borrowed fund is implemented. Agreement on security for the borrowed fund between the credit institution and its customer must conform to regulations of the laws on security and relevant legislation.
2. The credit institution shall make its decision on and bear responsibility for any unsecured loan.
3. The customer and guarantor must liaise with the credit institution to treat assets pledged as collateral for loans when there are sufficient grounds for such treatment under terms and conditions of loan agreements, loan guarantee contracts, laws and regulations.

#### **Article 16. Information provision**

1. The credit institution shall be responsible for providing the customer with all necessary information before establishment of a loan agreement, including such information as loan interest rate, principles and factors for determination of interest rate, date of determination of interest rate in case of application of

variable interest rate; interest rate charged for overdue principal; interest rate charged for interest of which payment is late; method for calculation of loan interest rate; type and amount of loan fee; criteria for classifying borrowing customers by loan interest rates as referred to in Clause 2 Article 13 hereof.

2. The customer shall provide information for the credit institution and assume legal responsibility for accuracy, authenticity and integrity of submissions to the credit institution, including the following documents or materials:

- a) Those stipulated by Article 9 hereof;
- b) Report representing use of loan and evidence that the loan fund is used to serve the purposes specified in the loan agreement;
- c) Documents evidencing implementation of security for the loan.

### **Article 17. Assessment and decision of loan**

1. The credit institution shall assess customer's ability to satisfy loan requirements as prescribed by Article 7 hereof in order to consider granting a decision to offer a loan. In the course of such assessment, the credit institution can use the internal credit rating system associated with information available at the National Credit Information Center of Vietnam and other communications channels.

2. The credit institution must establish loan approval procedures according to the principle of assignment of responsibilities in the assessment and decision-making stages.

3. In the event of refusal to offer a loan, the credit institution shall notify the customer submitting loan application of reasons for such rejection.

### **Article 18. Repayment of loan principal and interest**

1. The credit institution and its customer must agree on the period of loan principal and interest repayment in either of the following manners:

- a) Separate periods of repayment of loan principal and interest;
- b) Same period of repayment of loan principal and interest.

2. The credit institution and its customer shall agree on repayment of debt prior to the due date.

3. Where the customer is unable to make due repayment of principal and/or interest in part or in full, the credit institution shall consider approving the debt scheduling as provided by Article 19, or delinquency of such debt in accordance with Article 20 hereof. The credit institution and its customer shall agree on the

interest rate charged for the overdue debt mentioned above in compliance with provisions of Clause 4 Article 13 hereof.

4. The credit institution and its customer must agree on the priority order for collection of principal and interest amounts. In terms of overdue loan debts, the credit institution shall observe the order in which collection of principal amount will take priority over that of interest amount.

#### **Article 19. Debt rescheduling**

The credit institution shall consider deciding whether the debt rescheduling is necessary at the customer's request and depending on the financial capability of that credit institution and results of assessment of the customer's capability to repay debt as prescribed hereunder:

1. If the customer is incapable of making due repayment of loan principal and/or interest, and is rated by the credit institution as having capacity for fully repaying loan principal and/or interest within the adjusted repayment period, the credit institution shall consider adjusting the period of repayment of that principal and/or interest as appropriate to the customer's source of financing for debt repayment without prejudice to the loan term.
2. If the customer is incapable of paying off loan principal and/or interest in full within the agreed loan term, and is rated by the credit institution as having capacity for fully repaying loan principal and/or interest within a specified period of time following the said loan term, the credit institution shall consider extending the period of debt repayment as appropriate to the customer's source of financing for such debt repayment.
3. The debt rescheduling shall be performed prior to or within a period of 10 (ten) days from the agreed date on which debt repayment is due.

#### **Article 20. Overdue debt**

The credit institution shall perform overdue procedures for the principal amount of which repayment is not made by the agreed due date and rescheduling is not accepted by the credit institution; notify the customer of such overdue. That notification shall include at least the following contents: outstanding amount of overdue principal, time of overdue of such debt and interest rate charged for that overdue principal amount.

#### **Article 21. Loan termination, debt treatment, loan interest or fee exemption or reduction**

1. The credit institution shall be accorded the right to terminate a loan and collect debt prior to the payment due date under terms and conditions of a loan

agreement when it has established that the customer provided unauthentic information or violated terms and conditions of a loan agreement and/or loan guarantee contract. Upon terminating a loan and recovering debt prior to the agreed due date, the credit institution shall notify the customer of such loan termination and early debt recovery. The minimum contents of such notification include the date of loan termination and debt collection prior to the due date, the principal amount to be recovered prior to the due date; deadline for repayment of principal amount to be recovered prior to the due date, date of debt delinquency and interest rate applied to the outstanding amount of principal to be recovered prior to the due date.

2. Where the customer fails to make repayment of debt due, the credit institution shall be entitled to apply methods for debt recovery under terms and conditions of a loan agreement, loan guarantee contract and regulations of relevant laws. If the amount of money obtained after application of methods for debt recovery is not adequate to fulfill obligations to pay debt owed to the credit institution, the customer shall keep on assuming responsibility for paying off loan principal and interest in full to the credit institution.

3. Where the customer or guarantor is affected by the court's decision to open the bankruptcy proceedings or declaration of bankruptcy, the credit institution's recovery of debt owed by the customer and guarantor shall be carried out under regulations of the law on bankruptcy.

4. The credit institution shall have the right to decide to offer the customer loan interest or fee exemption or reduction in accordance with internal rules of the credit institution.

## **Article 22. Internal regulations**

1. Subject to provisions of the Law on Credit Institutions, this Circular and other relevant laws, the credit institution shall issue internal rules on lending and borrowed fund management as appropriate to operational characteristics of the credit institution (hereinafter referred to as internal rules on lending).

2. Internal rules on lending of the credit institution shall be implemented in a consistent manner within the entire network of the credit institution and address the following minimum contents:

a) Loan eligibility criteria; rejected loan demands; lending methods; lending interest rates and methods for calculating loan interest rate; customer's lending application dossiers and other submissions to the credit institution which are appropriate to loan features, types of loans and target customers; debt

collection; conditions, processes and procedures for debt rescheduling; debt delinquency;

b) Procedures for processing, assessing, approving a loan application and deciding to extend a loan under which the maximum duration to process, assess a loan application and decide to extend a loan should be specified; delegation or assignment of rights and responsibilities for each individual or department in loan application processing, assessment, approval and grant of a loan decision and other workloads as part of the lending procedures;

c) Procedures for inspection and supervision of loan application, use and debt repayment of customers; delegation and assignment of rights and responsibilities to each individual and department for inspection and supervision of loan application, use and debt repayment of customers;

d) Requirements concerning security for loans, assessment of assets pledged as collateral for loans; management, supervision and monitoring of collateral appropriate to loan security, collateral features and customers;

dd) Loan termination, debt treatment; loan interest rate and fee exemption and reduction;

e) Identification of risks that may arise during the lending process; procedures for monitoring, assessing and controlling risks; risk treatment methods;

g) Control of extension of loans serving the purpose of repaying loan debts owed to the credit institution, repaying foreign loan debts in order to provide for and prevent any deviation in reporting of credit quality. Controlling extension of loans shall be carried out according to the method for extending a rollover loan and revolving loan in order to manage the customer's cash flow to assure possibility of recovering loan principal and interest amounts in full by the agreed due date and make a reliable report on the credit quality.

3. Within a permitted period of 10 (ten) business days from the date of introduction or revision of internal rules on lending activities, microfinance institutions and people's credit funds must submit these rules to the State Bank through its branches located at cities or provinces; and other credit institutions must submit these rules to the State Bank of Vietnam (Banking Inspection and Supervision Agency).

### **Article 23. Loan agreement**

1. The loan agreement must be made in writing, including the following minimum requirements:

- a) Name, address and corporate identity code of the lending credit institution; name, address, number of identification card or citizen identification card or passport of the customer;
- b) Loan amount; loan limit for a line of credit loan; provisional credit limit for a provisional line of credit loan; overdraft limit for a current account overdraft facility;
- c) Loan purposes;
- d) Currency unit used for extending a loan or repaying debt;
- dd) Lending method;
- e) Loan term; duration to maintain the loan limit for a line of credit loan, effective period of provisional credit limit for a provisional line of credit loan; duration to maintain the overdraft limit for a current account overdraft facility;
- g) Agreed lending interest rate and interest rate converted into percent (%)/year which is calculated on the basis of the actual amount outstanding and duration of maintenance thereof as prescribed by Clause 3 Article 13 hereof; principles and factors of determination of interest rate, time of determination thereof in case of application of variable interest rate; interest rate charged on the outstanding amount of overdue principal; interest rate charged on late payment interest; type and amount of loan fee applied;
- h) Loan disbursement and use of payment instrument for disbursement of borrowed funds;
- i) Loan principal and interest repayment, and priority order of recovery of loan principal and interest; early debt repayment;
- k) Debt rescheduling; delinquency of the principal amount that a customer fails to repay at the agreed due date and the credit institution refuses to agree to reschedule; form and contents of notification of such delinquency referred to in Article 20 hereof;
- l) Responsibilities of a customer for cooperating with the credit institution and providing documents regarding a loan in order for the credit institution to assess application for and grant a decision to offer a loan, inspect and supervise use of borrowed fund and debt repayment of the customer;
- m) Cases of loan termination; collection of debt prior to the due date; delinquency of the principal amount that the customer fails to repay prior to the due date in the event of the credit institution's loan termination or collection of debt prior to the due date; form and contents of notification of thereof as prescribed by Clause 1 Article 21 hereof;

n) Loan debt treatment; penalty for loan default and compensation for any loss incurred; rights and liabilities of parties involved;

o) Effect of a loan agreement.

2. In addition to provisions set forth in Clause 1 of this Article, parties can agree on other terms and conditions in compliance with provisions of this Circular and relevant laws.

3. The loan agreement referred to in Clause 1 and 2 of this Article shall be established in the form of either a specific loan arrangement, or both framework and specific arrangement.

4. Where using contract templates or general terms and conditions during conclusion of a loan agreement, the credit institution shall be obliged to:

a) make a public notice of such contract templates and general contractual terms and conditions regarding lending activities at its office, and make posts on its website;

b) provide a full amount of information about these contract templates and general terms and conditions of which a customer should be informed prior to conclusion of a loan agreement, and obtain customer's confirmation that the credit institution has already provided all necessary information.

#### **Article 24. Inspection of the usage of loan**

1. The customer shall be responsible for using loan funds and repaying debts as agreed; reporting and providing documents evidencing use of such loan at the request of the credit institution.

2. The credit institution shall be entitled to carry out inspection and supervision of use of loan and debt repayment by the customer, subject to the internal rules referred to in Point c Clause 2 Article 22 hereof.

#### **Article 25. Penalty and compensation in case of defaulting on a loan**

1. The credit institution and its customer shall be allowed to agree on penalty and compensation in accordance with laws in the event that either the credit institution or the customer defaults on a loan agreement, unless otherwise stipulated by Clause 4 Article 13 hereof.

2. The credit institution and its customer can agree on whether the defaulting party is only subject to a penalty for violation without being held liable for a compensation for loss incurred or both of these actions. Where the credit institution and its customer have mutually agreed on a penalty for violation

instead of both of these actions, the defaulting party shall only be subject to the penalty for violation.

### **Article 26. Other provisions**

In the course of extending a loan, the credit institution shall assume the following responsibilities:

1. Comply with regulations on cases of loan rejection, restriction and limitation as referred to in Article 126, 127 and 128 of the Law on Credit Institutions, and regulations of the State Bank of Vietnam on prudential limits or ratios for operations of credit institutions.
2. Use payment instruments for disbursement of borrowed funds in accordance with regulations of the State Bank of Vietnam on use of payment instruments for disbursement of loan fund from credit institutions to customers.
3. Categorize and set aside an amount of money as a provision and use such provision for managing risks associated with lending operations of the credit institution.
4. Carry out recording of accounting entries of and prepare statistical reports on lending transactions in accordance with applicable laws on bookkeeping and statistical reporting regime of credit institutions.

## **Chapter II**

### **SPECIFIC PROVISIONS**

#### **Section 1. BUSINESS LOAN**

##### **Article 27. Lending methods**

The credit institution shall agree with its customer on application of the following lending methods:

1. One-shot loan: The credit institution and its customer implement lending procedures and conclude a loan agreement in each time when a loan is needed.
2. Syndicated loan: At least two credit institutions are together offering a loan to a customer for the purpose of implementing one fund borrowing plan or project.
3. Loan for crop season interval: The credit institution extends a loan to a customer in order to cultivate or raise seasonal plants or livestock used in the next production cycle within a given year, or plants of which roots are retained and industrial crops which are annually harvested. Accordingly, the credit institution and its customer shall agree that the outstanding amount of debt existing in the previous production cycle can be used for the following

production cycle, but shall not be allowed to exceed the time length of 02 consecutive production cycles.

4. Line of credit loan: The credit institution determines and agrees with its customer on the maximum outstanding amount of debt maintained during a specified time period. Within a credit line, the credit institution will extend a one-shot loan. At least once a year, the credit institution will consider redefining the maximum outstanding amount of debt and duration of maintenance thereof.

5. Provisional line of credit loan: The credit institution undertakes that fund is available to be lent to the customer and amount of that fund is restricted to the agreed amount of provisional credit. The credit institution and its customer shall agree on the effective period of provisional line of credit which is not allowed to exceed 01 (one) year.

6. Current account overdraft facility: The credit institution approves an overdraft limit within which the customer is allowed to spend more money than the amount available in the current account in order to render payment services on that current account. The overdraft limit is maintained within the maximum period of 01 (one) year.

7. Revolving loan: The credit institution and its customer agree to extend a loan to meet the demand for fund used in the business cycle which is less than 01 (one) month and the customer is allowed to use the outstanding amount of principal incurred in the previous business cycle for the following one provided that the loan term remains fewer than 03 (three) months.

8. Rollover loan: The credit institution and its customer agree on a short-term loan under the following conditions:

a) On the payment due date, the customer is entitled to repay debt or extend the period of repayment of part or whole of the outstanding amount of loan principal for another specified time period;

b) Total loan term is not allowed to exceed 12 months from the initial disbursement date and one business cycle;

c) On the date when a loan application is considered, the customer does not incur any bad debt owed to credit institutions;

d) In the process of a rollover loan, the customer owing any bad debt to credit institutions shall not be given any extension of the agreed period of repayment.

9. Other lending methods not mentioned above shall be combined with those referred to in Clause 1, 2, 3, 4, 5, 6, 7 and 8 of this Article as appropriate to business conditions of the credit institution and loan features.

### **Article 28. Loan term**

1. The credit institution and its customer shall refer to the business cycle, duration of fund recovery and solvency of the customer, source of loan fund and the remaining duration of operation of the credit institution in order to agree on the loan term.

2. The term of a loan offered to a customer that is a legal person established and operated within the territory of Vietnam, or a legal person established abroad and legally operated within the territory of Vietnam shall not exceed the remaining duration of legal operation of that customer, and to a customer that is a foreign citizen residing within the territory of Vietnam, shall not exceed the residual duration of legal residence in Vietnam.

### **Article 29. Storage of loan documentation**

1. The credit institution shall create loan documentation including:

- a) Loan application dossiers;
- b) Loan agreement;
- c) Report on actual financial status sent by the customer to the credit institution within the loan period;
- d) Documents relating to loan guarantee;
- dd) Decision to offer a loan signed by the authorized person; if the decision is collectively made, the minutes recording that decision must be included;
- e) Materials arising during the period of use of the loan which relate to the loan agreement under the credit institution's instructions.

2. The credit institution must store its loan documentation; the duration to store such loan documentation shall be subject to laws and regulations.

## **Section 2. CONSUMER LOAN**

### **Article 30. Lending methods**

The credit institution shall agree with its customer on application of the following lending methods:

1. The lending methods shall be subject to regulations set forth in Clause 1, 4 and 6 Article 27 hereof.

2. Those other than the aforesaid lending methods shall be combined with the ones referred to in Clause 1 of this Article as appropriate to business conditions of the credit institution and loan features.

### **Article 31. Loan term**

1. The credit institution and its customer shall agree on the loan term by referring to solvency of the customer, source of loan fund and the remaining duration of operation of the credit institution.
2. The term of a loan offered to a customer that is a foreign citizen residing within the territory of Vietnam shall not exceed the residual duration of legal residence in Vietnam.

### **Article 32. Storage of loan documentation**

1. The credit institution shall create loan documentation including:
  - a) Loan application dossiers;
  - b) Loan agreement;
  - c) Report on income generated by the customer during the loan term under the credit institution's instructions;
  - d) Documents relating to loan guarantee;
  - dd) Decision to offer a loan signed by the authorized person; if the decision is collectively made, the minutes recording that decision must be included;
  - e) Materials arising during the period of use of the loan which relate to the loan agreement under the credit institution's instructions.
2. The credit institution must store its loan documentation; the duration to store such loan documentation shall be subject to laws and regulations.

## **Chapter III**

### **IMPLEMENTATION PROVISIONS**

#### **Article 33. Effect**

1. This Circular takes effect on March 15, 2017.
2. From the effective date of this Circular, the documents listed hereunder shall be repealed:
  - a) The Decision No. 1627/2001/QĐ-NHNN dated December 31, 2001 of the Governor of the State Bank of Vietnam on introduction of the regulations on credit institutions' lending transactions with customers;

- b) The Decision No. 28/2002/QD-NHNN dated January 11, 2002 of the Governor of the State Bank of Vietnam on revision of Article 2 of the Decision No. 1627/2001/QD-NHNN dated December 31, 2001 of the Governor of the State Bank of Vietnam on introduction of the regulations on credit institutions' lending transactions with customers;
- c) The Decision No. 127/2005/QD-NHNN dated February 3, 2005 of the Governor of the State Bank of Vietnam on revision of several articles of the regulations on credit institutions' lending transactions with customers issued together with the Decision No. 1627/2001/QD-NHNN dated December 31, 2001 of the Governor of the State Bank of Vietnam;
- d) The Decision No. 783/2005/QD-NHNN dated May 31, 2005 of the Governor of the State Bank of Vietnam on revision of Clause 6 Article 1 of the Decision No. 127/2005/QD-NHNN dated February 3, 2005 of the Governor of the State Bank of Vietnam on revision of several articles of the regulations on credit institutions' lending transactions with customers issued together with the Decision No. 1627/2001/QD-NHNN dated December 31, 2001 of the Governor of the State Bank of Vietnam;
- dd) The Circular No. 12/2010/TT-NHNN dated April 14, 2010 of the Governor of the State Bank of Vietnam guiding credit institutions to extension of Vietnamese dong loans to customers at the agreed interest rate;
- e) The Circular No. 05/2011/TT-NHNN dated March 10, 2011 of the Governor of the State Bank of Vietnam prescribing collection of loan fees paid by customers to credit institutions and/or foreign bank branches;
- g) The Circular No. 33/2011/TT-NHNN dated October 08, 2011 promulgated by the State Bank's Governor on amending and supplementing the Circular No. 13/2010/TT-NHNN dated May 20, 2010 on providing statutory provisions on prudential ratios for business transactions of credit institutions and regulations for granting loans to customers, issued together with the Decision No. 1627/2001/QD-NHNN dated December 31, 2001 promulgated by the State Bank's Governor;
- h) The Circular No. 08/2014/TT-NHNN dated March 17, 2014 of the State Bank of Vietnam prescribing short-term loans denominated in Vietnamese dong which are offered by credit institutions to customers to meet the demand of fund used in certain economic sectors or activities.

#### **Article 34. Transitional provisions**

If a credit contract is signed before the effective date of this Circular,

1. The credit institution and its customer shall be allowed to comply with terms and conditions of the credit contract which is signed in accordance with laws and regulations in force at the date of signing of that credit contract, or agree on any revision of that credit contract as appropriate to regulations laid down herein.
2. With respect to application of the method of extending a line of credit loan, provisional line of credit loan or current account overdraft facility, unless the duration of maintenance of a credit or overdraft limit on the current account or the effective period of provisional line of credit is agreed upon in terms and conditions of the credit contract, the credit institution and its customer shall be allowed to continue implementation of terms and conditions of the credit contract signed in accordance with laws and regulations which enter into force on the date of signing of that credit contract under which the duration of maintenance of credit limit, overdraft limit on the current account or the effective period of a provisional line of credit shall not exceed 01 (one) year from the entry into force of this Circular.

### **Article 35. Implementation organization**

1. Setting the internal rules for lending transactions with customers by credit institutions shall be subject to this Circular.
2. The Chief of the Office, Director of the Monetary Policy Department and heads of affiliates of the State Bank of Vietnam, Directors of the State Bank branches located at centrally-affiliated cities and provinces, Presidents of the Board of Directors, Presidents of the Board of Members and General Director (Director) of credit institutions shall be responsible for implementing this Circular./.

*For the Governor*

*The Deputy Governor*

*Nguyen Thi Hong*