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| Press release on issuance of Circular No.25/2018/TT-NHNN |

On October 24, 2018, the Governor of the State Bank of Vietnam (SBV) issued Circular No.25/2018/TT-NHNN to amend and supplement a number of articles of Circular No.10/2015/TT-NHNN dated July 22, 2015 guiding the implementation of Decree No.55/2015/ND-CP dated June 09, 2015 of the Government on credit policies for agricultural and rural development.

Based on Decree No.116/2018/ND-CP dated September 7, 2018 (Decree 116) of the Government amending and supplementing a number of articles of Decree No.55/2015/ND-CP dated June 9, 2015 of the Government on credit policies for agricultural and rural development, on October 24, 2018, the Governor of the State Bank of Vietnam issued Circular No.25/2018/TT-NHNN to amend and supplement a number of articles of Circular No.10/2015/TT-NHNN dated July 22, 2015 of the Governor of the SBV providing guidance for the implementation of several substances of Decree No.55/2015/ND-CP. The main contents of the new Circular 25 are as follows:

1. For subjects of the credit policies: Circular 25 revises the subjects credit customers/borrowers to be in line with the regulations of Decree No.116. Accordingly, the credit borrowers can be individuals and legal entities; in case of households, cooperative groups and other organizations without a legal entity status when participating in the lender-borrower relationship, the members of such household, cooperative group or organization shall stand as the person to develop and conduct the borrowing transaction with the bank, or they can authorize a representative to act on their behalf to develop and conduct the borrowing.

2. Previously, Circular No.10/2015/TT-NHNN allowed credit institutions to restructure the maturities of the loans and maintain loan categories 1 time for those customers who are in difficulties with debt service under force majeure situations. However, the practical implementation has shown that agricultural production has to cope with various risks, which may arise on a frequent basis. Therefore, that policy has not been really helpful in creating favorable conditions for the customers to overcome the difficulties and stabilize their production. The revision of Circular 25 has been made toward not limiting the times of restructuring the maturities of the loans and maintaining the loan categories. The times of the loan restructurings will be defined in line with the production cycles; but the total added time of all of the restructurings is not allowed to be longer than the original maturity of the principal loan as written in the credit contract.

Circular 25 also stipulates that credit institutions are responsible for supervising and examining the restructurings of the loan maturities and the loan categories within their systems in order to closely monitor the situations of the loans.

3. Circular 25 supplements a regulation on debt grace periods for those debtors accessing loans for planting, caring or re-planting perennial trees. Accordingly, credit institutions and the customers shall negotiate and reach an agreement on a grace period for the principal loan and the interests corresponding to the growing periods of the perennial trees. The grace period is the duration of time starting from the date of the loan disbursement by the credit institution to the time when customers start paying the principal and the interests as negotiated and written in the credit contract.

4. Circular 25 supplements a regulation on the dossiers, processes and procedures to temporary suspend debt service for such cases as: (i) customers who are in difficulties caused by a natural disaster, a desease outbreak on a broad scale; or: (ii) customers who are the leading entities in the production chain, hi-tech enterprises under difficulties from an objective cause or a force majeure, which is in line with the regulations of Decree 116.

5. Circular 25 requires the credit institutions to formulate and issue an internal guidelines for conducting co-lending operations and the documentation, sequences and procedures for debt service suspension with a view to facilitating the customers to access loans.

This Circular shall take effect from December 10, 2018.

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