Press Release on issuance of Circular No.02/2017/TT-NHNN

The Governor of the State Bank of Vietnam (SBV) issued Circular No. 02/2017/TT-NHNN on May 18 to stipulate regulations on factoring of credit institutions and foreign bank branches. The Circular will take effect from September 30, 2017.

The Circular includes 24 Articles with the main substances as follows:

- The Circular stipulates definition of “receivables factoring”, “payable factoring”, “reserve the right of recourse” and other relevant definitions.

- The Circular stipulates currencies for factoring and payment, and cases with factoring in foreign currencies and VND, of which stipulating that factoring providers are only allowed to do factoring in VND for customers as non-residents who utilize factoring money in Vietnam’s territory in order to manage the utilization of VND by non-residents.

- The Circular stipulates cases being ineligible for factoring, requirements and conditions of factoring in order to ensure the safe and effective development of factoring.

- The Circular stipulates factoring duration, payment term on the basis of remaining payment duration and term of receivables and payables in line with contracts of goods purchasing and selling, and service provision as well as recourse duration. Recourse duration which is decided by factoring providers and their customers in their factoring contract can not exceed 60 days for domestic factoring or 120 days for international factoring.

- The Circular stipulates factoring termination, debt resolution, factoring fee and interest rate exemption in order to create legal basis for the implementation of credit institutions and foreign bank branches.

- The Circular stipulates electronic factoring to create legal basis for the implementation of credit institutions and foreign bank branches in accordance with development trend of current factoring, especially Law on Credit Institutions permits credit institutions and foreign bank branches to do payable factoring.

The issuance of Circular No. 02/2017/TT-NHNN guiding the implementation of Law on Credit Institutions creates legal basis for factoring activities by credit institutions and foreign bank branches, thereby ensuring safe and sound factoring activities.

Translated by Le Hang