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## GUIDANCE ON THE PRIVATE PLACEMENT OF CORPORATE BONDS IN DOMESTIC MARKET



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Corporate bonds are currently governed by the Decree No. 153/2020/ND-CP dated 31 December 2020 on the private placement of corporate bonds and trading of privately placed corporate bonds in the domestic market and offering of corporate bonds to the international market, as amended and supplemented by the Decree No. 65/2022/NĐ-CP and the Decree No. 08/2023/ND-CP (“**Decree 153**”).

On 17 May 2023, the Ministry of Finance issued Circular No. 30/2023/TT-BTC guiding a number of the regulations on registration, depository, exercise of rights, transfer of ownership rights, transaction payment, and organization of the market for trading privately placed corporate bonds in the domestic market (“**Circular 30**”). Circular 30 specifically guides the privately placed corporate bonds (the “**Bonds**”) issued from 01

January 2021 in accordance with Decrees 153. Regarding Bonds issued prior to 01 January 2021 with the outstanding principle, the bond depository and transaction will continue to be conducted in accordance with the approved bond issuance plan.

### 1. General Principles

Circular 30 sets out 08 general principles when implementing the registration, depository, exercises of rights, transfer of rights of the Bonds. Some notable principles are as follows:

- (i) The Bonds must be registered and deposited in concentration at the Vietnam Securities Depository and Clearing Corporation - VSDC (*Tổng công ty Lưu ký và Bù trừ chứng khoán Việt Nam, in Vietnamese*).
- (ii) The Issuer, the VSDC, and the depository members shall be responsible for exercising the rights for the bondholders in accordance with the Law on Securities and other relevant laws.
- (iii) The Issuer shall have to register the trading of issued Bonds in the bond trading system.
- (iv) The payment for transactions in the bonds trading system shall be made via the bonds payment system according to the instant payment method for each

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transaction, the central clearing partner mechanism shall not be applied.

## **2. Trading account for trading of the privately placed corporate bonds**

This is a new regulation that requires the investors to open a trading account at the trading members for the implementation of transactions.

In case the investor has already had the securities trading account opened at the trading member, the investor is entitled to use such account to trade Bonds. Before the purchase of Bonds, the investors must be a professional investor and have signed a letter of confirmation in accordance with the laws on securities. The Securities enterprises being the trading members are responsible for identifying the professional investor qualification and ensuring that the investors are eligible for bonds purchase before entering commands into the bonds trading system.

## **3. Trading the corporate bonds via the bond trading system opened at Hanoi Stock Exchange**

Circular 30 particularly releases a “life jacket” for the bondholders under the current circumstances where there are several issuers being unable to repay both principal bond and interests under the Bonds. The investors may

directly offer their Bonds through the corporate bond trading system opened at the Hanoi Stock Exchange to recover their investment costs. So what are the conditions for investors to be able to offer their Bonds?

First, the issuer must register the Bonds at the VSDC. Secondly, before being traded or transferred to others, the Bonds must be deposited in concentration at the VSDC through a securities enterprise. Thirdly, and being the most crucial factor, is to find investor willing to purchase the Bonds.

In such cases, the Bonds shall be transferred and traded on the bond trading system via the mutual agreement of the parties. Such transaction is established when the buyer or seller enters a trading command into the bond trading system and the reciprocal party confirms that trading command.

## **4. Transfer of bond ownership rights**

The VSDC shall transfer the Bonds that have been registered and deposited at its corporation via the bonds trading system. However, Circular 30 further guides some special circumstances where the transfer of Bonds ownership rights is not subject to bond trading system, such as donation, inheritance; division, separation, consolidation, merging, dissolution of enterprises; exercises of courts’ judgment, decisions of arbitration court or the judgment enforcement; etc.

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## **5. Payment settlement of bonds transaction**

Circular 30 sets forth more detailed instructions on bond transaction payment. Accordingly, individuals and organizations eligible for Bonds transactions on the depository account system of the VSDC includes: (i) the depository members settling payment for their own Bonds transactions or their clients' and (ii) the organizations opening accounts for the direct payment of their own Bonds transactions (the "Permitted Bond Transfer Organization"). The Permitted Bond Transfer Organization must open a deposit account under its name at the bank for the payment settlement of bond transactions.

The payment of bond transactions shall be made at the settlement bank based on the payment obligation announced by the VSDC. The transfer of bond payments, on the other hand, shall be made via the system of VSDC on the principle of Bond transfer between accounts of investors at the Permitted Bond Transfer Organization, simultaneously

with the payment settlement at the bank. The depository members at which the investors open their accounts are responsible for the distribution of money and Bonds to the investors' accounts immediately upon the completion of payment transfer by VSDC and payment settlement of transactions by the bank.

In addition, Circular 30 also prescribes instructions for processing some circumstances of insolvency for bond transactions, for instance, where the Permitted Bond Transfer Organization is temporarily insolvent, the bank shall lend money for the payment settlement of bonds transactions by virtue of the financial support agreement signed between the parties. In the event such agreement prescribes the use of deposited securities at VSDC as collaterals for the loan amount, VSDC shall freeze such securities under the suggestion of the bank. Furthermore, in case the payment deadline arrives and the Permitted Bond Transfer Organization does not have available funds for such payment, VSDC shall remove the transaction payment.

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Chúng tôi giữ quyền sửa đổi, tạm ngừng hoặc ngừng vĩnh viễn hoạt động của bản tin này hoặc bất kỳ phần nào của bản tin mà không thông báo trước. Chúng tôi không chịu bất kỳ trách nhiệm nào về các sửa đổi, tạm ngừng hoặc ngừng vĩnh viễn hoạt động của bản tin này.

Nếu bạn có vấn đề nào cần tư vấn, hãy liên hệ với chúng tôi hoặc yêu cầu luật sư của bạn tư vấn về vấn đề đó cho bạn.

Tất cả các quyền, bao gồm cả quyền sở hữu, quyền tác giả, quyền liên quan và các quyền sở hữu công nghiệp đối với nội dung thông tin, thiết kế, trình bày mỹ thuật của bản tin này thuộc chúng tôi và được bảo vệ theo Luật Sở hữu Trí tuệ Việt nam, các hiệp định, hiệp ước quốc tế mà Việt nam đã ký kết.

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