

**THE STATE BANK OF  
VIETNAM**

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No.: 16/2018/TT-NHNN

**THE SOCIALIST REPUBLIC OF VIETNAM  
Independence – Freedom – Happiness**

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*Hanoi, July 31, 2018*

**CIRCULAR**

**AMENDING AND SUPPLEMENTING CERTAIN ARTICLES OF THE CIRCULAR NO.  
36/2014/TT-NHNN DATED NOVEMBER 20, 2014 OF THE GOVERNOR OF THE STATE  
BANK OF VIETNAM PROVIDING FOR PRUDENTIAL RATIOS AND LIMITS FOR  
OPERATIONS OF CREDIT INSTITUTIONS AND FOREIGN BANK BRANCHES**

*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 Law dated November 20, 2017 on amendments to the Law on credit institutions;*

*Pursuant to the Government's Decree No. 16/2017/ND-CP dated February 17, 2017 defining the  
functions, tasks, powers and organizational structure of the State Bank of Vietnam;*

*At the request of the Chief Inspector of Banks;*

*The Governor of the State Bank of Vietnam hereby adopts the Circular to amend and supplement  
certain articles of the Circular No. 36/2014/TT-NHNN dated November 20, 2014 of the State  
Bank's Governor on providing for prudential ratios and limits for operations of credit  
institutions and foreign bank branches (hereinafter referred to as the Circular No. 36/2014/TT-  
NHNN).*

**Article 1. Amending and supplementing certain articles of the Circular No. 36/2014/TT-  
NHNN by:**

1. Adding the following Clause 25 to Article 3:

*“25. Exchange rate used to calculate prudential ratios and limits prescribed herein are as  
follows:*

*a) Exchange rate between a foreign currency and VND:*

*(i) On working days other than the last working day of a month/ quarter/ year, the exchange rate  
shall be the one regulated by the State Bank for use in the chart of accounts of credit institutions;*

*(ii) On the last working day of a month/ quarter/ year, the exchange rate shall be the one  
regulated by the State Bank for converting the monthly/ quarterly/ annual balance sheet prepared*

in a foreign currency into the one in VND if a credit institution/ foreign bank branch uses VND as its accounting currency, or the one for converting financial statements prepared in a foreign currency into VND if a credit institution/ foreign bank branch uses a foreign currency as its accounting currency in the chart of accounts of credit institutions and financial reporting policies applicable to credit institutions;

b) The exchange rate between a foreign currency and USD shall be decided by credit institutions/ foreign bank branches."

2. Amending and supplementing Point b and Point c Clause 2 Article 15 as follows:

"b) The calculation of liquid reserve ratio is based on the following formula:

$$\text{Liquid reserve ratio (\%)} = \frac{\text{Assets of high liquidity}}{\text{Total Liability}} \times 100$$

Where:

- Highly liquid assets are determined according to the Appendix 3 hereof;

- Total liability denotes total liability entry on a balance sheet minus:

+ Refinanced loans made by the State Bank through discount on valuable papers, loans pledged by valuable papers (minus the refinanced loans made by the State Bank based on bonds issued by Vietnam Asset Management Company); overnight loans made through the interbank electronic payment system; forward sale of valuable papers through open market operations of the State Bank; forward sale of valuable papers through open market operations of the State Bank.

+ Credit extensions of other credit institutions and foreign bank branches through forward sale, discount, re-discount and pledged loans: (i) valuable papers used in the State Bank's transactions; (ii) bonds or treasury bills issued by or issued under the guarantee by the Governments or Central Banks of countries rated at least "AA" by an international credit rating agency (Standard & Poor's, or Fitch Rating) or other corresponding rank of other independent credit rating organizations.

c) Highly liquid assets and total liability are calculated in VND, including VND and other freely convertible foreign currencies converted into VND according to the exchange rate prescribed in Point a Clause 25 Article 3 hereof."

3. Amending and supplementing Point a Clause 3 Article 15 as follows:

"a) Credit institutions/ foreign bank branches must calculate and maintain the solvency ratio within 30 days regarding VND (including VND and other freely convertible foreign currencies converted into VND according to the exchange rate prescribed in Point a Clause 25 Article 3 hereof) and the solvency ratio within 30 days regarding foreign currencies (including USD and

other foreign currencies converted into USD according to the exchange rate prescribed in Point b Clause 25 Article 3 hereof);”

4. Amending and supplementing Article 17 as follows:

“1. Credit institutions/ foreign bank branches shall calculate the maximum ratio of short-term fund used for granting medium and long-term loans in VND (including VND and foreign currencies converted into VND according to the exchange rate prescribed in Point a Clause 25 Article 3 hereof) according to the following formula:

$$A (\%) = \frac{B}{C} \times 100$$

Where:

- A: The maximum ratio of short-term fund used for granting medium and long-term loans.
- B: Total outstanding medium and long-term debt regulated in Clause 2 of this Article minus total medium and long-term fund as regulated in Clause 3 of this Article.
- C: Short-term fund as prescribed in Clause 4 of this Article.

2. Total outstanding medium and long-term debt shall be composed of the followings:

a) The following debts for which the remaining repayment period is more than 01 (one) year:

(i) Loans and financial leases (including those granted to other credit institutions and foreign bank branches in Vietnam), except for:

- Loans or financial leases made by the entrusted fund of the Government, other individuals and organizations (including other credit institutions and foreign bank branches in Vietnam; parent banks, parent banks’ overseas branches) with which risks associated shall be incurred by such Government, individuals and organizations;

- Loans for programs and projects made by the refinancing fund of the State Bank under decisions of the Government or the Prime Minister.

(ii) Entrustments used as loans or financial leases of other credit institutions or foreign bank branches whereby the risk associated therewith shall be incurred by the entrusting credit institutions or foreign bank branches;

(iii) Purchases of or investments in valuable papers (including bonds issued by Vietnam Asset Management Company), except those used in the State Bank's transactions;

(iv) If loans, financial leases or entrustments specified in Paragraph (i) and (ii) of this Point have different repayment periods, remaining repayment periods used as the basis for determining medium and long-term debt shall be respectively determined for each debt.

b) Overdue principal of loans, entrustments, financial leases, the excess amount of purchases of or investments in valuable papers.

3. Medium and long-term fund comprises the excess amount of the followings of which the maturity period is more than 01 (one) year:

a) Personal deposits;

b) Deposits made by foreign and domestic entities, except all types of the State Treasury's deposits;

c) Borrowings obtained from domestic and foreign financial institutions (exclusive of borrowings obtained from other credit institutions or foreign bank branches in Vietnam);

d) Borrowings obtained from the entrusted investment fund of the Government with which risks associated shall be incurred by credit institutions/ foreign bank branches;

dd) Borrowings obtained from the central credit institution/ foreign bank branch in case credit institutions/ foreign bank branches engage in on-lending of funds derived from financing or investment entrustments from which risks associated shall be incurred by such credit institutions/ foreign bank branches;

e) Funds raised from the issuance of promissory notes, treasury bills, certificates of deposit and bonds;

g) Charter capital, allocated fund, reserve fund for charter capital complementation, investment fund for professional development, and the remaining amount of financial reserve fund from which the original value of purchases of or investments in fixed assets, or equity participations or share acquisitions have been taken away in accordance with laws and regulations;

h) Share premiums and undistributed profits remaining after purchase of treasury stocks;

i) Borrowings obtained from other credit institutions or foreign bank branches in Vietnam with respect to non-bank credit institutions;

k) Deposits of people's credit funds with respect to cooperative banks.

4. Short-term fund includes the excess amount of the followings of which the maturity period is up to 01 (one) year (including demand deposits):

a) Personal deposits other than margin and special deposits;

b) Deposits made by foreign and domestic entities, except the followings:

(i) All types of the State Treasury's deposits;

(ii) Margin and special deposits of customers;

(iii) Deposits of other credit institutions or foreign bank branches in Vietnam.

c) Borrowings obtained from domestic and foreign financial institutions (exclusive of borrowings obtained from other credit institutions or foreign bank branches in Vietnam);

d) Borrowings from the entrusted investment fund of the Government with which risks associated shall be incurred by credit institutions/ foreign bank branches;

dd) Borrowings obtained from the central credit institution/ foreign bank branch in case credit institutions/ foreign bank branches engage in on-lending of funds derived from financing or investment entrustments from which risks associated shall be incurred by such credit institutions/ foreign bank branches;

e) Funds raised from the issuance of promissory notes, treasury bills, certificates of deposit and bonds;

g) Deposits or borrowings obtained from other credit institutions or foreign bank branches in Vietnam with respect to non-bank credit institutions;

h) Deposits of people's credit funds with respect to cooperative banks.

5. Credit institutions, foreign bank branches are entitled to use short-term capital sources as medium and long term loans under the following maximum rate schedule:

a) From January 01, 2018 to December 31, 2018 inclusively:

(i) Banks, foreign bank branches: 45%;

(ii) Non-bank credit institutions: 90%.

b) From January 01, 2019:

(i) Banks, foreign bank branches: 40%;

(ii) Non-bank credit institutions: 90%.”

5. Amending and supplementing Clause 1 Article 21 as follows:

“1. Commercial banks, cooperative banks and foreign bank branches shall conform to maximum loan-to-deposit ratios in VND (including VND and foreign currencies converted into VND

according to the exchange rate prescribed in Point a Clause 25 Article 3 hereof) which are calculated by adopting the following formula:

$$\text{LDR} = \frac{L}{D} \times 100\%$$

Where:

- LDR: Loan-to-deposit ratio.
- L: Total loans as prescribed in Clause 2 and Clause 3 of this Article.
- D: Total deposits as prescribed in Clause 4 of this Article."

## **Article 2. Implementation**

The Chief of the Office, Chief Inspector of banks, Heads of affiliated entities of the State Bank, Directors of the State Bank branches located at centrally-affiliated cities and provinces, Chairpersons of the Board of Directors, Chairpersons of the Board of Members, and General Director (Director) of credit institutions and foreign bank branches, shall be responsible for implementing this Circular.

## **Article 3. Entry into force**

1. This Circular comes into force from July 31, 2018.
2. Clause 15, Clause 16, Clause 17 and Clause 22 Article 1 of the Circular No. 19/2017/TT-NHNN dated December 28, 2017 by the State Bank's Governor are abrogated./.

**PP. THE GOVERNOR  
DEPUTY GOVERNOR**

**Nguyen Dong Tien**