

# LEGAL ALERT

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## Decree 163/2018 on Issuance of Corporate Bonds

On 4 December 2018, Vietnam's Government issued Decree 163/2018 on issuance of corporate bonds ("Decree 163"). Decree 163 focuses on privately-issued bonds and came into effect on 1 February 2019, replacing its predecessor, Decree 90/2011 ("Decree 90").

Below are salient features of Decree 163:

### 1. Relaxed conditions to issue bonds:

#### • Removal of profitability requirement for issuing bonds

Decree 90 provides that to issue non-convertible bonds, the issuer must have profitable business result for one year (for domestic bonds) or for three consecutive years (for international bonds) prior to the issuing year. Decree 163 removes this requirement. Instead, Decree 163 requires that the issuer must have (i) fully paid any bond principal and interest falling due in the three years before the issuance and (ii) the previous year's financial statements audited by qualified auditor, among other conditions.

#### • Less issuance documents for international bonds

The documents to issue international bonds no longer include a legal opinion by legal advisors and credit rating report under Decree 163.

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### 3. Removal of minimum owners' equity requirement

Decree 90 provides that for bonds issued to fund programmes, projects, the issuer must maintain a minimum owners' equity ratio of 20% of the total investment. Decree 163 removes this requirement.

### 4. New requirement to register and deposit issued bonds at Vietnam Securities Depository or its members

Decree 163 requires issued bonds to be registered and deposited with the Vietnam Securities Depository or its members within 10 days after issuance.

### 5. Secondary sale restriction

Under Decree 163, sale of corporate bonds is limited to below 100 investors (excluding professional securities investor) within one year from the completion date of issuance. For convertible bonds, the one-year restriction period remains unchanged from Decree 90.

### 6. Issuance in multiple tranches allowed

Decree 163 allows bonds to be issued in multiple tranches so long as all tranches are issued within 12 months from the date of the first tranche and each tranche is completed within 90 days.

### 7. New disclosure regime

Decree 163 introduces a new and comprehensive disclosure regime for bond issuers including disclosure before issuance, disclosure about issuance result, regular disclosure and irregular disclosure.



With the relaxed conditions for bonds issuance and the stringent requirements to issuers, Decree 163 is expected to create a boom in bonds transaction for the Vietnam market while also enhancing publicity, transparency and protecting interests of investors.

If you have any questions or require any additional information, please contact [Duc Tran](#) or the ZICO Law partner you usually deal with.

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