

# Vietnam bond investment guide

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In addition to loans, corporate bonds have been a frequently employed financial instrument for Vietnamese companies to raise debt capital from domestic and international investors. Bonds can be issued within Vietnam or offshore in the global market, either privately or publicly.

This guide provides a comprehensive overview of corporate bonds, and discusses some key legal and practical issues for foreign investors and domestic issuers on bond transactions in Vietnam.

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# 1 Overview of corporate bonds

## 1.1 BOND TYPES: WHAT TO INVEST?

Corporate bonds may come in many forms depending on how they are structured or issued, and their issuance purpose.

### Instrument type

- Vanilla/straight bond.
- Convertible or exchangeable bond<sup>1</sup> (where the bondholders can convert into ordinary shares of the issuer (in case of convertible bonds), or ordinary shares held by the issuer in its affiliates (in case of exchangeable bonds).
- Warrant-linked bond (where the bondholders are granted warrants to purchase ordinary shares of the issuer at a pre-agreed price and terms).

### Issuance method

- Privately issued bonds (which are issued to less than 100 identified investors).
- Publicly issued bonds<sup>2</sup> (which are issued through mass media, or to at least 100 identified investors (not including professional investors) or to unidentified investors).

### Currency

- Domestic bonds in VND issued in Vietnam (that can be subscribed for by either foreign investors or domestic investors).
- International bonds in foreign currency issued offshore (that can only be subscribed for by foreign investors<sup>3</sup>).

### Security

- Unsecured bonds.
- Secured bonds (by a corporate/individual guarantee and/or secured assets of the issuer or third party).

Further, on thematic bonds, Vietnamese law provides for 'green bonds' which are issued for implementation of environmental protection projects and are subject to additional regulations on environmental protection.

<sup>1</sup> While the convertible bond is expressly regulated under the law, an exchangeable bond is not contemplated by law and is the least common among different types of bonds. In practice, the exchangeable bond is typically treated as a vanilla bond with contractual rights allowing the bondholders to exchange the bond for shares held by the issuer in the issuers' affiliates.

<sup>2</sup> Corporate bonds may be publicly issued and listed on the stock exchange for trading. Conditions and the issuance process for a publicly issued bond are generally not much different from that of a privately issued bond, but would be more stringent in terms of requirements for qualified issuers, financial disclosure and transparency requirements and supervision of the bond issuance from the authorities. This guide focusses on corporate bonds privately issued to foreign investors that are more common than a publicly issued bond in practice.

<sup>3</sup> Subscription for international bonds by Vietnamese entities is considered as an outbound investment activity and is subject to the relevant regulations.



## 1.2 KEY PLAYERS

**Bond subscribers:** generally, corporate bonds are not available for everyone to subscribe:

- Vanilla bonds can only be subscribed for by 'professional securities' investors<sup>4</sup>; and
- convertible bonds and warrant-linked bonds can be subscribed for by either (i) 'professional securities' investors or (ii) 'strategic' investors.<sup>5</sup>

In both cases, the investors can be Vietnamese domestic or foreign.

**Eligible bond issuers:** both joint stock companies and limited liability companies can issue vanilla bonds, while convertible bonds and warrant-linked bonds can only be issued by joint stock companies. To issue VND domestic bonds, an issuer must satisfy the following key conditions:

- **No overdue debt:** the issuer has made full payment of the principal and coupon of the bonds issued or debts due within three years prior to the issuance (if any); except for bonds offered to investors being selected credit institutions.
- **Approved issuance plan:** the bond issuance plan of the issuer has been duly approved by its decision-making

body<sup>6</sup> (eg board of management or general meeting of shareholders).

- **Financial statements:** the issuer has financial statements audited by a qualified auditor<sup>7</sup> for the year prior to the issuance.
- **Credit rating:** the issuer must have a credit rating provided by a credit rating agency licensed by the Ministry of Finance<sup>8</sup> (applicable for bond issuance after **1 January 2024**) if:
  - the total aggregate par value of issued bonds in the 12-month period prior to the issuance date is greater than (i) VND500 billion (c.US\$21 million); and (ii) 50% equity recorded on the issuer's latest financial statements; or
  - the total par value of all outstanding bonds as at the time of registration<sup>9</sup> for bond issuance is greater than 100% equity recorded on the latest financial statements.
- **Prudential ratios:** the issuer satisfies financial prudential ratios and other ratios ensuring operational safety under specialised laws, if applicable (eg the issuer is a commercial bank and must comply with prudential ratios applicable to a credit institution).

On foreign currency international bonds, the issuer must satisfy conditions regarding the approved issuance plan and

prudential ratios as set out above. In addition, the issuer must comply with (i) Vietnamese regulations on cross-border lending as in such case the bond will also be treated as a cross-border foreign loan of the issuer (please refer to our [cross-border lending guide](#) for more details) and (ii) conditions for bond issuance under the applicable foreign laws of the issuance venue.

**Other Players:** issuance of bonds may involve the participation of other players depending on the bond types.

For domestic bonds, a non-banking bond issuer will need to appoint a securities firm to act as its *issuance agent and adviser*, through which the domestic bonds are issued/placed (since only an issuer being a credit institution can directly issue bonds to investors); and may appoint a securities firm or a third party to act as a *security agent* (in case of secured bonds).

For international bonds, depending on the specific structure, the issuance may involve participation of *a lead manager, a paying agent and a bond registrar and/or a trustee*.

4 A professional securities investor (corporate) is defined under the Law on Securities as an investor who has financial capability or professional expertise in securities, comprising:

- (a) commercial banks, foreign bank branches, finance companies, insurance business organisations, securities companies, securities investment fund management companies, securities investment companies, securities investment funds, international financial institutions, off-budget State financial funds and State financial institutions permitted to purchase securities in accordance with relevant law; and
- (b) companies with a paid-up charter capital of more than VND100 billion (c. US\$4.3 million) or listed organisations or registered trading organisations.

5 A strategic investor is an investor selected by the General Meeting of Shareholders of the issuer based on criteria regarding financial and technology capacity and that has a commitment to cooperate with the issuer for at least three years.

6 Under the law, the issuance plan for convertible bonds/warrant-linked bonds must be approved by the general meeting of shareholders of the issuer. Meanwhile, the issuance plan for vanilla bonds shall be approved by the board of management except where the issuer's charter provides otherwise.

7 Auditors qualified to audit private-company issuers are those qualified to audit an entity having public interest (including credit institutions, insurance companies, public companies, securities companies) in accordance with the Law on Independent Audit.

8 From public resources, as of the date of this guide, there are only three credit rating companies in Vietnam licensed by the Ministry of Finance, being FiinRatings, SaigonRatings and VIS Rating (which is a Vietnamese subsidiary of Moody's established in November 2021).

9 The law is unclear as to the timing for calculating the outstanding bonds in case of privately issued bonds that are not required to be registered for issuance (as opposed to publicly issued bonds).

## 1.3 LIMITATIONS

**Minimum tenor:** the minimum tenor of a bond is one year, although a bond can be redeemed earlier.<sup>10</sup>

**Minimum bond par value:** the minimum bond principal is VND100 million (c. US\$4,117) which is also the minimum face value of one bond.

**Bond issuance limit for international bonds:** Vietnamese issuers can only issue international bonds in the amount up to the 'issuance limit', which is confirmed/granted by the State Bank of Vietnam (*SBV*) upon the issuer's application. Such limit is subject to the annual limit applicable to the total amount of all foreign loans in Vietnam approved by the Prime Minister (c. US\$7,500 million/year).<sup>11</sup>

Further, an issuer of international bonds that is issued with an investment certificate/investment registration certificate or documents approving investment policy (*Investment Approval*) for its investment project (eg a foreign-invested enterprise) may only issue bonds to implement such a project up to the loan capital amount (which is the difference between the issuer's contributed capital in the project and the total investment capital specified in the Investment Approval). All existing onshore and offshore medium- or long-term debts of the issuer will be counted towards this loan capital amount.

Any issuer without an Investment Approval is allowed to issue international bonds to the limit specified under its business plan/bond use plan for the relevant project approved by its decision-making body (eg board of management).

**Limitation on use of proceeds:** bond proceeds can be used for the following purposes:

- Implementation of investment project/program.  
The law is silent on whether the bond proceeds can be used to implement an investment project/plan of the issuer's subsidiaries or only of the issuer itself. According to unofficial verbal guidance from the Ministry of Finance, bond proceeds received by the issuer can be used to contribute to its subsidiaries through one of the investment forms prescribed under the Law on Investment, eg capital contribution, M&A or BCC. In practice, this specific use purpose should be considered on a case-by-case basis.
- Restructuring of the issuer's debts.
- Other permitted purposes as provided for under specialised laws.

Note: a 'green bond' can only be used to fund environmental protection projects.

In addition to the above, the use of proceeds from international bonds is also subject to restrictions applicable to cross-border loans - eg they cannot be used for refinancing of domestic debts or funding of residential housing projects (please refer to our [cross-border lending guide](#) for more details).

With respect to residential housing projects, the latest amendment to the law on residential housing effective from 1 January 2025 makes it clear that the issuer can issue domestic bonds to finance their residential housing projects.<sup>12</sup> However, proceeds from international bonds cannot be used by the issuer to do so as such bonds are treated as a cross-border foreign loan which cannot be used for this purpose.

**Distribution period:** from 1 January 2024, the distribution period for domestic bonds in an issuance tranche is 30 days

from the date of pre-issuance notification to the Hanoi Stock Exchange (*HNX*) as mentioned in section 2.3 (reduced from 90 days applicable before 1 January 2024). In the case of issuance in various tranches, the 30-day distribution period will apply to each tranche and all tranches must be completed within six months from the issuance date of the first tranche (as opposed to 12 months applicable before 1 January 2024).

**Cool-off period:** the issuance of convertible bonds and/or warrant-linked bonds must be six months apart from each other regardless of whether they are domestic bonds or international bonds, or whether the issuer is a private or public company.

**Blackout period:** there is no blackout restriction under Vietnamese law that disallows a public issuer to issue bonds prior to publication of its financial statements. For international bonds, whether this rule applies or not depends on the applicable foreign laws of the issuance venue. Having said that, in both cases, prior to publication of the issuer's financial statements, if a stakeholder in the bond issuance possesses insider information of the issuer due to its participation in the issuance process, certain restrictions on subscription and trading of the bonds or shares of the public issuer may apply.

**Lock-up:** bondholders of domestic convertible bonds or warrant-linked bonds (whether privately or publicly issued) are subject to:

- in case of bondholders being 'professional securities' investors, a one year lock-up for transfer of their bonds to 'strategic' investors. However, during this period, bonds can be freely transferred amongst 'professional securities' investors; and
- in case of bondholders being 'strategic' investors, a three year lock-up for transfer of their bonds to either 'strategic' investors or 'professional securities' investors.

Upon expiry of the lock-up period, a domestic convertible bond or warrant-linked bond can be transferred to and between professional securities investors and strategic investors.

<sup>10</sup> Please refer to section 2.4 on early redemption.

<sup>11</sup> The number is valid for the year 2023 and until a new limit for the next year is issued by the Prime Minister.

<sup>12</sup> The current law on residential housing did not provide for an express permission on funding a residential housing project using bonds—though the implementing regulation of this law does acknowledge such a transaction. In practice, issuance of domestic bonds to fund residential housing projects under the current law is relatively common and has not been challenged so far.

**Trading restrictions:** bondholders of domestic bonds are generally prohibited from selling their bonds to, or co-investing in bonds with, 'non-professional securities' investors. Further, bondholders of vanilla bonds are not permitted to transfer their bonds to 'strategic' investors.

**Caps on interests and fees:** the bond coupon can be fixed or floating or a combination of both and will be decided by the issuer and/or agreed with bond subscribers.

Generally, Vietnamese regulations on corporate bonds do not impose any specific cap on a bond coupon rate and allow the issuer to decide on such rate. However:

- for domestic bonds issued and subscribed by Vietnamese entities, the statutory cap on an interest rate of 20% per annum under Vietnam's Civil Code would apply;
- for domestic bonds issued to foreign investors, even though the parties can chose a foreign governing law, a coupon rate that exceeds 20% per annum or is unreasonably high compared to the market may be challenged by the Vietnamese remitting banks (which have duty to monitor fund flows out of Vietnam to ensure compliance with Vietnamese law); and
- for international bonds, SBV may also be reluctant to approve registration of international bonds as cross-border loans if the interest rate is considered to be too high compared to the market rate.

## 2 Issuance process

### 2.1 APPROVAL REQUIREMENTS

The process for issuance of corporate bonds is relatively complex in a documentary and regulatory sense. Generally, while issuance of domestic vanilla bonds does not require regulatory approvals (other than the required disclosure/notification as specified in section 2.3 below), issuance of convertible bonds/warrant-linked bonds by a public company must be approved by the State Securities Commission (**SSC**) before issuance. On the other hand, issuance of international bonds must be registered with the SBV as a foreign cross-border loan and—if the issuer is a public company—must be subject to approval from the SSC.

Below illustrates the regulatory approvals required for each type of bond.

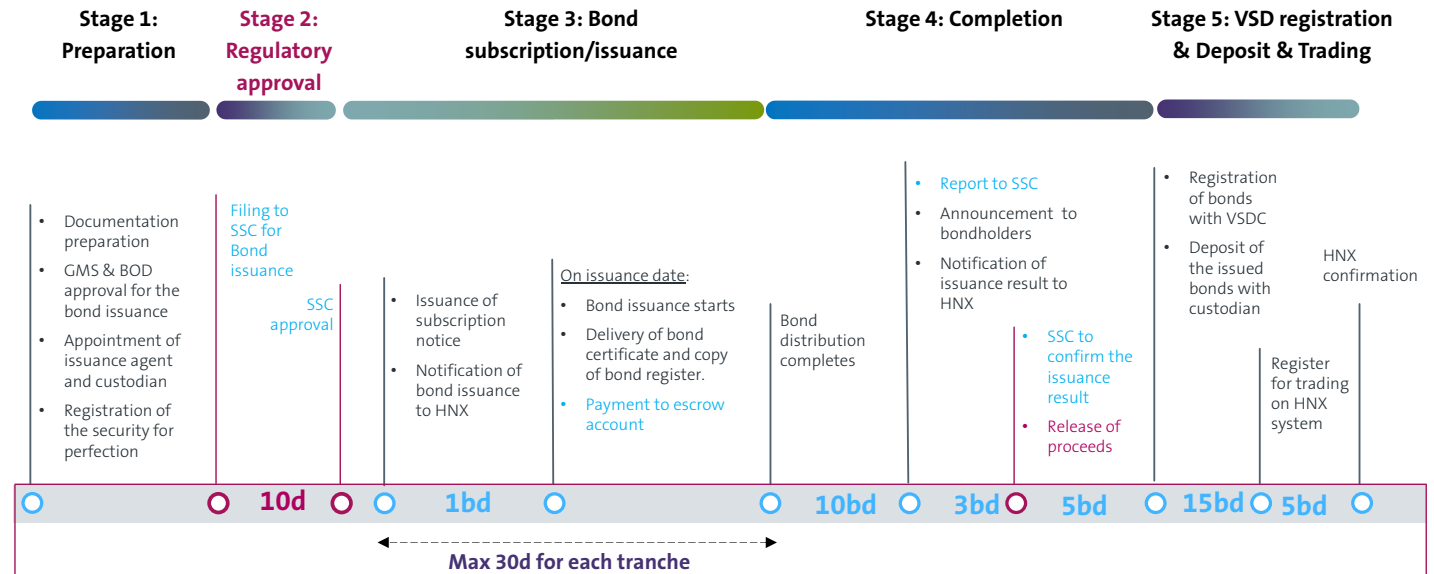
	HNX PRE-ISSUANCE NOTIFICATION	SSC APPROVAL	SBV CONFIRMATION ON ISSUANCE LIMIT AND SBV REGISTRATION
<ul style="list-style-type: none"> <li>• Vanilla bonds issued by <b>private company or public company</b>; and</li> <li>• Convertible/warrant-linked bonds issued by <b>private company</b>.</li> </ul>	✓		
Convertible/warrant-linked bonds issued by <b>public company</b>	✓	✓	
International bonds (of any types) issued by <b>private company</b>	✓		✓
International bonds (of any types) issued by <b>public company</b>	✓	✓	✓

(Note: additional steps in issuance of convertible/warrant-linked bonds by public company compared to private company is **in blue** (with key difference being SSC approval process))

## 2.2 BOND ISSUANCE TIMING

It generally takes up to four weeks to issue domestic bonds from the signing of the transaction documents, and six-to-eight weeks for issuance of international bonds. Below indicates timing of a general process for issuance of domestic bonds and international bonds respectively.

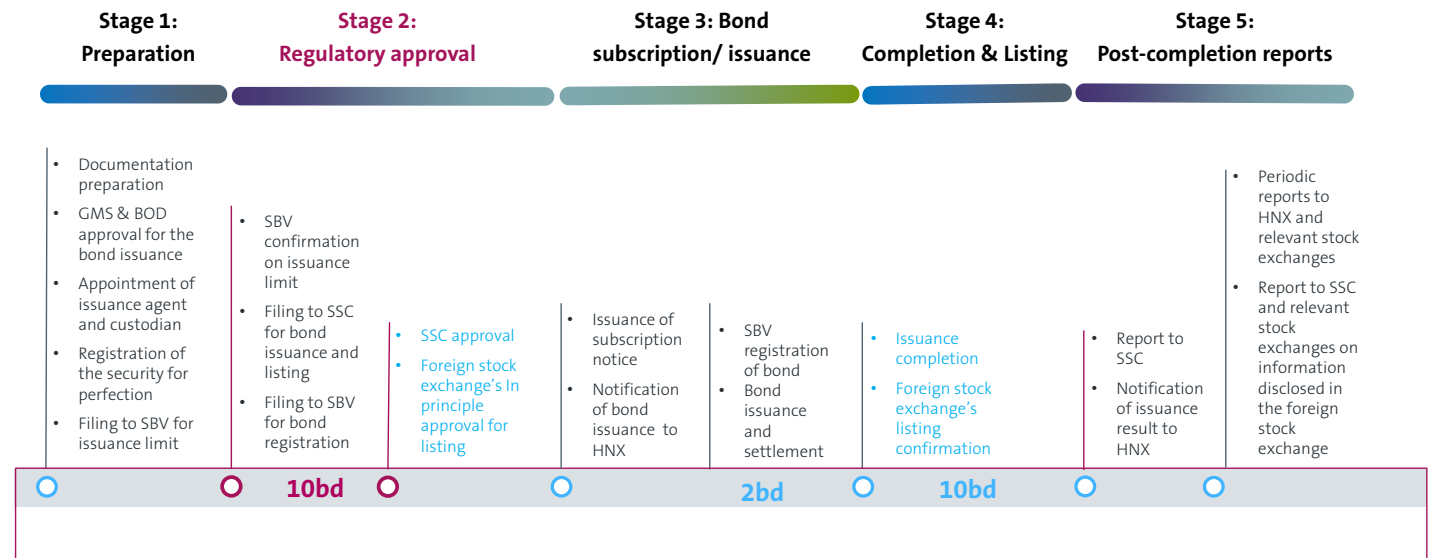
### Bond issuance process for domestic bonds



Note: In practice, the actual timing for the whole process will vary on case by case basis.

\*Statutory timing

### Bond issuance process for international bonds



Note: In practice, the actual timing for the whole process will vary on case by case basis.

\*Statutory timing

## 2.3 DISCLOSURE REQUIREMENTS

As seen below, issuers of domestic and international bonds share some disclosure requirements, while others differ, and there are also different disclosure requirements at different stages of a bond transaction.

DISCLOSURE TIMING	DISCLOSURE REQUIREMENTS
After signing and pre-issuance	<b>Pre-issuance HNX notification:</b> one business day prior to the issuance at the latest.
Bond distribution	<b>HNX notification on unsuccessful issuance or cancellation:</b> no later than five business days after the end of the bond distribution period (as mentioned in section 1.3).
Post-issuance	<p><b>HNX notification on completion:</b> no later than five business days after completion of the issuance; and</p> <p><b>SSC notification on issuance result:</b> within ten days from the issuance (in case of issuance of bonds which are subject to SSC approval as mentioned in section 2.1).</p>
Periodic and extraordinary disclosure/reporting (to the HNX and/or SSC)	<p><b>Periodic disclosure:</b> semi-annual and annual report on, amongst others, the status of repayment of the bonds and use of the bond proceeds.</p> <p><b>Extraordinary disclosure of domestic bonds include:</b></p> <ul style="list-style-type: none"> <li>• <b>Extraordinary disclosure:</b> within 24 hours after the occurrence of specific events that may affect issuer's ability to repay the bonds such as revocation of license, mandatory redemption, penalties for breach of law, changes in bond terms and conditions, etc.</li> <li>• <b>Pre-redemption/conversion notification:</b> 10 days prior to the bonds redemption/conversion.</li> <li>• <b>Post-redemption/conversion notification:</b> no later than 10 days after completion of bonds redemption/swap.</li> <li>• <b>Post-conversion notification:</b> no later than five business days after completion of the conversion.</li> </ul> <p>On the other hand, issuers of international bonds are required to disclose the successful listing or delisting, and make other disclosure as required by applicable foreign law of issuance venue or foreign stock exchange where the international bonds are listed.</p>

Note: an issuer being a public company is subject to further disclosure requirements. These include public disclosure of the issuer's corporate approval of the bond issuance and bond terms and conditions and, in general, disclosure of any events that could impact the issuer's share price or business and corporate governance.

## 2.4 HOW WOULD THE BOND BE FUNDED AND REDEEMED?

### Required fund flow

Generally, issuers of domestic bonds must open:

- a 'current account' to receive proceeds from an issuance of vanilla bonds by either private or public company or of convertible bonds/warrant-linked bonds by a private company; or
- an 'escrow account' to receive proceeds from an issuance of convertible bonds/warrant-linked bonds issued by a public company.

For domestic bond subscribers being foreign investors, they must open an indirect investment capital account in VND through which the subscription price for the bonds (before being transferred to the current account or escrow account of issuers) must go, and payment of the bond principal, coupon and fees shall be made.

On the other hand, disbursement and repayment of international bonds must be made via:

- a direct investment capital account (if the issuer is a direct foreign invested enterprise); or
- a foreign loan account (if the issuer is a Vietnamese enterprise).

### Payment in-kind for redemption of domestic bonds

An issuer that is unable to fully and timely pay bond principal and coupon in VND pursuant to the announced issuance plan may negotiate with bondholders to make payment by assets other than cash, provided that among others:

- such payment is agreed by the relevant bondholder; and
- the issuer has made extraordinary disclosure on the relevant changes, and is fully responsible for the legal status of the assets being used for payment.

In case the proposed payment in-kind is not agreed by the relevant bondholder, the issuer shall continue to make payment in cash.

A foreign bondholder can be repaid by receiving ownership of project houses/apartments in Vietnam but would need to comply with restrictions on housing ownership applicable to foreigners, eg foreigners are only allowed to own up to 30% of the units in a residential housing project.

### Early redemption

Under the law, bondholders and an issuer may mutually agree on an early redemption of the domestic bonds. In addition, a bondholder can request mandatory redemption upon the occurrence of:

- (i) the issuer's breach of issuance or trading regulations, or breach of issuance plan; and such breach is not rectifiable;
- (ii) the issuer's breach as mentioned in (i), and such breach is rectifiable, but the rectification measures are not approved by at least 65% of bondholders of the relevant class of bonds; or
- (iii) specific events contemplated in the issuance plan.

Subject to the occurrence of the early redemption event as mentioned above, in case of unilateral request for redemption by a bondholder (out of a group of bondholders), the law is unclear about whether the issuer must redeem the bonds in whole for all bondholders or just the requesting bondholder. In practice, subject to specific terms of the bond agency and representative agreement, the appointed agent will represent all bondholders via bondholders meeting to exercise bondholders' rights, including the redemption mechanism.

## 3 Bond depository and trading for domestic bonds

### 3.1 POST-ISSUANCE REGISTRATION

The issuer is required to register the domestic bonds with the Vietnam Securities Depository and Clearing Corporation (VSDC) within five business days after:

- the post-completion notification to HNX; or
- the SSC's notification of its receipt of the issuance result (in case of issuance of bonds that are subject to SSC approval, as mentioned in section 2.1).

### 3.2 BOND DEPOSITORY FOR TRADING

The bondholders must deposit the bond with a securities custodian (being a securities firm or custodian bank) before any trading or ownership transfer of their bonds. The bonds deposit is not necessary unless relevant bondholders have immediate plans for bond transfer.

Once the bonds are registered with VSDC by the issuer and deposited with the securities custodian by the bondholders, the exercise of bondholders' rights (such as payment of coupon, collecting bondholders' opinions and early redemption etc) will be processed via the VSDC system in line with the VSDC's rules. In case of 'non-registered and non-deposited' bonds, the above rights will be settled privately based on mutual agreement between the issuers and the relevant bondholders.

### 3.3 TRADING RULE ON HNX SYSTEM

<b>Registration for trading</b>	Within 15 business days upon issuance of the bond registration certificate by the VSDC (as mentioned in section 3.1 above), the issuer must submit an application to the HNX for registration for trading of bonds.  <b>Exemption:</b> Outstanding bonds issued before 1 January 2021 are not subject to this requirement for trading on the HNX system. The trading of such bonds will be carried out in accordance with the bond issuance plan and agreement between the issuer and the bondholders.
<b>Trading band</b>	Not applicable, and the price will be agreed by the bondholders and the potential buyers.
<b>Trading method</b>	Put through is the only trading method for bond trading on the HNX system.
<b>Off-system trading</b>	The VSDC will allow the bond ownership transfer outside the HNX system in certain cases such as gift, inheritance, court/arbitration award and enforcement of security, etc.
<b>What foreign investors need to prepare before trading?</b>	Foreign investors are required to open an indirect investment capital account in VND at a licensed bank in Vietnam (through which all bond proceeds, repayment of principal, coupon and other relevant fees shall be made) in order to subscribe for bonds and for trading of bonds on a secondary market, they are required to obtain a securities trading code and open a securities custodian account and a securities trading account at a depository member (which is a custodian bank or a securities firm).



## 4 Other notes

### 4.1 TAXES AND FEES APPLICABLE TO CORPORATE BONDS AND SECURITY

#### Withholding tax

Income from bond coupon and fees received by a foreign bondholder is subject to a corporate income tax which a Vietnamese issuer must withhold, currently at a rate of 5%. In addition, the purchase price for transfer of corporate bonds on the HNX system is subject to an income tax which a securities custodian of the bondholders shall withhold, currently at a rate of 0.1% of the whole transaction value. These taxes can be addressed through appropriate gross-up clauses in the Bond Subscription Agreement.

#### Documentary taxes

There are currently no relevant documentary taxes (such as stamp duty) in Vietnam.

#### Registration fees

SBV registration for international bonds is free of charge. Registration fees for security interest are nominal.

#### Notarial fees

These depend on the value of the property being used as collateral, or the value of the transaction being notarised, and are on a sliding scale.

### 4.2 SECURITY PACKAGE AND ENFORCEMENT

Please refer to our Vietnam [cross-border lending guide](#) for more information on security package, which is available to foreign investors.

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