Global Financial Services Regulatory Guide - Vietnam

5. What are the requirements to obtain authorization in your jurisdiction?

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# What are the requirements to obtain authorization in your jurisdiction?

Foreign investors that intend to invest in banking activities in Vietnam may purchase shares of Vietnamese commercial banks and/or set up a local bank or a foreign bank's branch in Vietnam.

Foreign investors who intend to invest in insurance or insurance brokerage activities in Vietnam may purchase shares of Vietnamese insurance companies or insurance brokers and/or set up a local insurance company or broker.  Foreign non-life insurance companies may establish a branch in Vietnam.

Foreign investors who intend to invest in securities activities in Vietnam may establish a joint venture, purchase shares of Vietnamese securities/fund management companies, and/or set up a 100% foreign-owned securities/fund management company or a branch in Vietnam.

**Restrictions on foreign ownership in Vietnamese credit institutions, insurance companies/ brokers and securities/fund management companies**

**Credit institutions**

The acquisition by foreign investors of a shareholding in a Vietnamese joint stock credit institution is subject to significant restrictions.

The total aggregate shareholding of foreign investors in a Vietnamese commercial bank may not exceed 30% of its ‘charter capital’. The total aggregate shareholding of foreign investors in a Vietnamese non-bank credit institution is subject to the regulations on public companies and listed companies. The specific ownership limits applicable to each type of foreign investor in a credit institution are as follows:

An individual investor – 5%

An organization –15%

A strategic investor: – 20%

The shareholding of any single foreign investor and its affiliated persons may not exceed 20% of the charter capital of a Vietnamese credit institution.

The Prime Minister has the right to lift the limits on foreign shareholders’ participation in a Vietnamese credit institution, but only for the purpose of restructuring weak credit institutions facing difficulties or ensuring the stability of the credit institutions system. The determination of institutions that would fall within this definition will, in practice, be at the discretion of the SBV or other competent authorities.

The parent entity must have total assets of at least USD 10 billion at the end of the year prior to its application. Entirely foreign-owned credit institutions must comply with Vietnamese prudential requirements on a stand-alone basis.

**Insurance companies**

A foreign investor may own up to 100% charter capital of insurance companies and insurance brokers.

**Securities/fund management companies**

Foreign investors being organizations meeting certain requirements (discussed under Section 6 below) may purchase shares to own up to 100% charter capital of a securities company or a fund management company or establish a 100% foreign-invested securities company or fund management company.

Foreign investors being organizations not meeting such requirements or foreign investors being individuals may only own up to 49% of the charter capital of a securities company or fund management company.

**Foreign banks' branches, foreign non-life insurance companies' branches, foreign securities/fund management companies' branches**

**Foreign banks' branches**

Foreign banks may also open branches with no separate legal status. The parent bank must have total assets of more than USD 20 billion at the end of the year prior to application. A foreign bank's branch may not open transaction offices at locations other than its registered branch office, which in practice, poses real practical problems for foreign banks in expanding their activities in Vietnam.

**Foreign non-life insurance companies' branches**

Foreign non-life insurance companies may open branches with no separate legal status before it may participate in the non-life insurance business. The foreign parent company must undertake to be responsible for all obligations and undertakings of the branch in Vietnam.

**Foreign securities companies' branches**

Foreign securities companies may open branches with no separate legal status. Foreign securities companies' branches are only allowed to carry out securities investment consultancy activities, including the following:

Providing analysis report on trading on the securities market and making an investment recommendation

Providing analysis report on the operation of public companies, listed companies and other enterprises, and making an investment recommendation

Signing securities investment consultancy agreement with the client

**Representative offices of foreign banks, insurance companies, securities companies and fund management companies**

Foreign banks, insurance companies, insurance brokers, securities companies and fund management companies can operate through representative offices, which are not permitted to conduct commercial/profit-generating activities in Vietnam. A representative office merely acts as a liaison office between the parent bank/company and their Vietnam clients. As such, its activity is generally limited to market research and the promotion and follow-up of the offshore parent entity’s activities involving Vietnamese credit institutions or companies.

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