

## Client Alert

September 2010

### Amendment of Circular No. 13 Regulating Prudential Ratios in Activities of Credit Institutions

On 27 September 2010, the State Bank of Vietnam ("SBV") issued Circular No. 19/2010/TT-NHNN ("Circular No. 19") amending and supplementing some articles of Circular No. 13/2010/TT-NHNN dated 20 May 2010 ("Circular No. 13"), regulating prudential ratios in activities of credit institutions. These two Circulars are effective as of 1 October 2010.

Under Circular No. 19, the regulations of ratios of outstanding loans from total deposits, as stipulated in Article 18 of Circular No. 13, are amended and supplemented. The amendments have broadened the definition of the raised capital funds by including 25% of on-call deposits of economic entities (excluding credit institutions) and loans with the term of three (3) months or more of other credit institutions (excluding loans of other domestic credit institutions for balancing temporary problems with liquidity as stipulated in Article 14.1 of Circular No. 13).

However, after much debate, the capital adequacy ratio (CAR) remains unchanged and will be raised from 8% to 9% when the Circulars come into effect. It remains that commercial banks are not allowed to provide credit exceeding 80% of the raised capital funds (85% with respect to non-banking credit institutions).

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