

Technical Update

September 2025

NEW DECREE ON FOREIGN INVESTMENT IN CREDIT INSTITUTIONS IN VIETNAM

On 18 March 2025, the Government of Vietnam issued Decree No. 69/2025/ND-CP (“**Decree 69**”) providing amendments to the Decree No. 01/2014/ND-CP dated 3 January 2014 of the Government prescribing foreign investors’ share purchases of credit institutions in Vietnam (“**Decree 01**”).

Effective from 19 May 2025, Decree 69 introduces several significant changes relating to foreign investors’ acquisition of shares in Vietnamese credit institutions, marking an important adjustment in Vietnam’s foreign investment policy in the financial and banking sector.

Below is a summary of some key changes:

1

Expansion of the scope of application

Compared with the previous regulations, which were relatively general and did not clearly define the scope of application, Decree 69 introduces significant revisions to ensure consistency with recent changes in investment law and credit institution law:

- Supplementing provisions on the maximum shareholding ratio of related persons of foreign investors, in addition to the maximum ownership ratio of the foreign investor itself in a Vietnamese credit institution.
- Expanding the scope of application to include foreign-invested economic organizations. Where such organizations are subject to the same conditions and investment procedures as foreign investors, their acquisition of shares in Vietnamese credit institutions will also be subject to regulations applicable to foreign investors under Decree 01.

2

Amendments and additions to certain definitions

- Clarifying the definitions of “foreign individual” and “foreign organization”:
 - A foreign individual is defined as a person with foreign nationality, excluding stateless persons as previously referred to in Decree 01.
 - A foreign organization is now defined strictly as an organization established under foreign law, conducting investment and business activities in Vietnam
- Clarifying the definition of “weak credit institutions” facing difficulties.
- Revising the method for calculating total foreign ownership in a credit institution: Under Decree 69, the ownership ratio of foreign-invested economic organizations is included in the aggregate foreign ownership ratio in a credit institution. This requires credit institutions to monitor and control foreign ownership more closely going forward.

3 *Amendments to forms of share acquisition by foreign investors*

Under Decree 69, foreign investors may only acquire treasury shares if those shares were repurchased by the credit institution prior to 1 January 2021.

This amendment ensures consistency with the Law on Securities 2019, effective from 1 January 2021, which requires public companies to cancel repurchased treasury shares, prohibiting their resale or use as bonus shares (with limited exceptions).

4 *Amendments to foreign ownership limits*

Under Decree 69, the regulations on foreign investors' shareholding ratios in Vietnamese credit institutions remain unchanged with respect to the basic ownership cap but introduce more flexible mechanisms compared to Decree 01, specifically:

- Maintaining the cap on aggregate foreign ownership at 30% of charter capital for Vietnamese commercial banks, and the Prime Minister's authority to approve higher ownership for weak or troubled credit institutions.
 - This provision continues to ensure consistency with current laws, Vietnam's international commitments, and practical requirements.
- Specifying that aggregate foreign ownership in non-bank credit institutions must not exceed 50% of charter capital.
 - This provision aims to ensure transparency and stricter control over the consumer finance sector.
- Introducing a new provision allowing aggregate foreign ownership in commercial banks undergoing mandatory transfer to exceed 30% but not exceed 49% of charter capital.
- This provision creates conditions for transferee commercial banks to strengthen their financial capacity (through attracting additional foreign capital and increasing equity), improve governance and management capacity, and modernize technology. It also facilitates better support for the transferred commercial banks, thereby contributing to the successful implementation of mandatory transfer plans and ensuring the stability of the banking and financial system as well as the broader economy and society.

5 *Additional obligations for foreign investors*

In addition to setting out specific conditions for Vietnamese credit institutions when selling shares, Decree 69 also introduces additional obligations for foreign investors in order to enhance transparency and strengthen regulatory control, specifically:

- In cases where a foreign investor and its related persons exceed the foreign ownership limit as a result of a credit institution issuing additional shares to existing shareholders, the investor shall have a maximum period of six (6) months to transfer the number of shares exceeding the limit;
- Where the aggregate foreign shareholding in a credit institution exceeds the applicable ownership cap, no foreign investor shall be permitted to acquire additional shares until the total foreign ownership is brought back within the permissible level;
- Restrictions on share transfer periods (such as 5 years for foreign strategic investors, or 3 years for investors holding more than 10% of charter capital) shall not apply in cases where share transfers are made in order to comply with foreign ownership limits.

This provision under Decree 69 imposes additional legal responsibilities and obligations on foreign investors, not only at the stage of capital contribution/share acquisition but also throughout their tenure as shareholders of Vietnamese credit institutions. It also serves as a compliance mechanism, mitigating the risk of foreign investors being subject to administrative sanctions.

In conclusion, Decree 69 represents a progressive step in regulating foreign investors' participation in Vietnam's financial system. The decree refines and clarifies key concepts and rules, while maintaining necessary flexibility and strengthening safeguards, particularly for weak and troubled credit institutions.

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