

NEW REGULATIONS ON RESCHEDULING DEBT REPAYMENT AND MAINTAINING DEBT GROUPS

THUY MAI

On April 23, 2023, the State Bank of Vietnam issued Circular 02/2023/TT-NHNN on rescheduling debt repayment and maintaining debt groups by credit institutions and foreign bank branches to support customers facing difficulties (**Circular 02**). Based on the positive effects of the policy on rescheduling debt repayment and maintaining debt groups specified in Circular 01/2020/TT-NHNN (and its amendments and supplements) to support the customers affected by the COVID-19 pandemic, Circular 02 is developed and issued with the goal to continue supporting people and enterprises to overcome difficulties in production and business activities, with the inherited and modified contents based on the provisions of Circular 01/2020/TT-NHNN (amended and supplemented). Circular 02 takes effect from April 24, 2023 with several noteworthy contents as follows:

Firstly, regulations on rescheduling debt repayment in Article 4, Circular 02. Accordingly, on the basis of customers' requests and the financial capacity of credit institutions or foreign bank branches (hereinafter referred to as the "Credit Institutions"), the Credit Institutions shall consider and decide to reschedule debt repayment for the outstanding principal balance and/or interest of debts that meet the following conditions:

- i.** The outstanding principal balance arises before the effective date of Circular 02 (April 24, 2023) and from lending and financial leasing activities;
- ii.** The obligation to repay principal and/or interest arises in the period from April 24, 2023, to the end of June 30, 2024;
- iii.** The outstanding balance of the loan rescheduled for repayment is still within due or overdue up to 10 days from the due date of payment or the repayment term under the relevant contract or agreement;
- iv.** The Credit Institution assesses that the borrower is unable to repay the principal and/or interest on time



under the contract or agreement due to a decrease in revenue and income compared to the revenue and income in the principal and/or interest repayment plan under the contract or agreement;

v. The Credit Institution assesses that the borrower can fully repay the principal and/or interest within the rescheduled debt repayment term.

vi. The Credit Institution fails to reschedule debt repayment for debts in violation of law provisions;

vii. The time for repayment rescheduling (including debt extension) is determined by the difficulty degree of the borrowers and must not exceed 12 months from the due date of the rescheduled debt balance repayment term;

viii. Debt rescheduling for customers specified in Circular 02 shall be carried out from April 24, 2023 until the end of June 30, 2024.

Secondly, regulations on maintaining debt groups and classifying debts in Article 5, Circular 02. Accordingly, debts with the outstanding principal balance and/or interests which have been rescheduled for repayment under Circular 02 will be kept in the same debt group as the group of debts that have been classified at the latest time before repayment rescheduling under Circular 02. Besides, for debts after rescheduling repayment and maintaining the group of outstanding debts according to the rescheduled term, Credit Institutions are not required to apply the principle of adjustment and reclassification into the debt group with higher risk levels. In the case where a debt is overdue, after being rescheduled and maintained in the same debt group, according to the rescheduled time, but the Credit Institution does not continue to reschedule the repayment term, the debts will be classified by the Credit Institution in accordance with related regulations.

Comments and recommendations

It can be seen that the promulgation of Circular 02 will help individuals, organizations, and enterprises reduce financial pressure and debt repayment pressure when they can reschedule the repayment term and do not have to change debt groups, and at the same time have the ability to access new loans (due to the permitted maintenance of the same debt group). It should be noted that rescheduling debt repayment in accordance with Circular 02 shall be carried out from April 24, 2023 to the end of June 30, 2024, therefore, individuals, organizations, and enterprises need to study the provisions of this Circular and consider conducting an assessment of the conformity with the conditions set forth in this Circular, and at the same time work directly with the relevant Credit Institutions to maximize their rights and benefits in accordance with the law.