

# NEW REGULATIONS ON INTEREST RATES FOR PREMATURE WITHDRAWAL OF DEPOSITS AT CREDIT INSTITUTIONS, FOREIGN BANK BRANCHES

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On June 16, 2022, the Ministry of Finance issued Circular 04/2022/TT-NHNN stipulating the application of interest rates for premature withdrawal of deposits at credit institutions, foreign bank branches (hereinafter referred to as "**credit institutions**") (**Circular 04/2022**) to replace Circular 04/2011/TT-NHNN (**Circular 04/2011**). Compared to the former one, Circular 04/2022 provides a clearer legal framework for premature withdrawal of deposits, with some typical changes as follows:

*Firstly*, supplementing the definitions and conditions to be noted when withdrawing deposits prematurely. Accordingly, premature withdrawal of deposit occurs when a client withdraws a part or all of the deposit before the due date or maturity date of such deposit. Regarding the conditions to be noted when performing premature withdrawal of deposit, Circular 04/2022 emphasizes that the agreement between credit institutions and clients on premature withdrawal of deposits must comply with the State Bank of Viet Nam's regulations for each specific deposit form and the interest rates on premature withdrawal of deposits as specified in this Circular. In addition, if there is no agreement on premature withdrawal of deposits, credit institutions must also apply the interest rate for premature withdrawal of deposits in accordance with the provisions of Circular 04/2022.

*Secondly*, stipulating cases of premature deposit withdrawal and the interest rates applied correspondingly. Specifically, Circular 04/2022 clearly separates 2 cases of premature withdrawal, including: (i) premature withdrawal of the total deposit and (ii) premature withdrawal of a part of the deposit. For each case, the premature withdrawal interest rate is determined as follows:

- In case of premature withdrawal of the total deposit: The maximum interest rate applied is the lowest interest rate of demand deposits of credit institutions based on types of clients and/or the deposited currency at the time of premature withdrawal;
- In case of premature withdrawal of a part of the deposit:
  - For deposit amount withdrawn before maturity, the lowest interest rate of demand deposits of credit institutions shall be applied based on types of clients and/or the deposited currency at the time of premature withdrawal.
  - For the remaining deposit amount, the interest rate is equal to the interest rate applied to the deposit of which a part is withdrawn prematurely by the client.

## COMMENTS AND RECOMMENDATIONS

Compared with Circular 04/2011, Circular 04/2022 provides more favorable provisions for clients depositing at credit institutions, especially those related to interest rates in case of premature withdrawal of the deposit. It should be noted that for agreements on interest rates for premature withdrawal of deposits before effectiveness of Circular 04/2022, credit institutions and clients will continue to comply with the committed agreements or possibly re-negotiate in accordance with Circular 04/2022. Circular 04/2022 will take effect on August 1, 2022, therefore, businesses need to promptly update new regulations to adjust the plans for using and managing deposits and balance their finance.

