

New regulations on opening and using indirect investment accounts

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On 29 April 2025, Governor of the State Bank of Vietnam issued Circular No. 03/2025/TT-NHNN on opening and use of Vietnamese Dong accounts to conduct foreign indirect investment activities in Vietnam ("**Circular 03**"). Circular 03 shall take effect from 16 June 2025 and replaces Circular No. 05/2014/TT-NHNN dated 12 March 2014 of Governor of the State Bank of Vietnam, providing guidelines for opening and use of indirect investment capital accounts to conduct foreign indirect investment activities in Vietnam ("**Circular 05**") and amends Circular No. 06/2019/TT-NHNN dated 26 June 2019 of Governor of the State Bank of Vietnam, providing guidelines for foreign exchange control of foreign direct investment activities in Vietnam ("**Circular 06**").

Compared with Circular 05 and Circular 06, Circular 03 has some notable new provisions as follows:

1. Foreign investor

Foreign investors subject to Circular 03 are still **non-residents** conducting foreign indirect investment ("**FII**") activities in Vietnam. However, for institutional foreign investors, Circular 03 clearly defines them as organizations **established under foreign laws**, while for individual foreign investors, they are individuals **with foreign nationality**. These provisions of Circular 03 are considered similar to those of Circular 06, which defines foreign investors as organizations and individuals conducting direct investment activities in Vietnam.

Thus, revenue and expenditure transactions related to FII activities in Vietnam by foreign investors **being residents** will not be subject to Circular 03, but will be carried out through payment accounts in Vietnamese Dong in accordance with the relevant laws.

2. Transactions requiring opening and use of indirect investment accounts

Similar to Circular 05, Circular 03 clearly stipulates that **an indirect investment account is a payment account in Vietnamese Dong** of a foreign investor opened at an authorized bank (in Vietnam) ("**IIA**"). However, Circular 03 defines more clearly FII transactions in Vietnam, which must open and use an IIA, including:

- (a) Purchasing and selling securities on the Vietnamese stock market, and purchasing and selling other valuable papers;
- (b) Contributing capital, buying shares and capital contribution portions in unlisted enterprises that are not subject to opening a direct investment capital account ("**DICA**") according to the provisions of Circular 06 and its amendments and replacements (if any) (*Thus, Circular 03 has removed the criteria of "not yet registered for transactions" and "not directly participating in management and operation of enterprises" as stipulated in Circular 05*).
- (c) Making investment trust in Vietnamese Dong through fund management companies and organizations licensed to perform other investment trust services in accordance with the provisions of law.
- (d) Purchasing and selling other types of securities in accordance with the laws on securities.

Therefore, unlike Circular 05, the following activities will no longer be considered FII transactions in Vietnam, including:

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- (e) Contributing capital to and transferring capital contribution portions of foreign investors (not directly participating in management) in securities investment funds and fund management companies in accordance with the laws on securities; and
- (f) Contributing capital to Vietnamese enterprises on the registered trading market (UPCOM) or the listed securities market and not directly participating in management and operation of these enterprises, unless such transactions are determined to fall within the circumstances set out in point (b) above.

A noteworthy point is that Circular 03 has amended the provisions of Circular 06 on the threshold for distinguishing between foreign direct investment (“**FDI**”) and FII, to be consistent with the provisions of Law on Investment 2020 (in comparison with Law on Investment 2014). Accordingly, the threshold of 50% stipulated in the Law on Investment 2020 (in replacement of 51% stipulated in the Law on Investment 2014) will be used to distinguish between FDI and FII. According to the new regulations, no later than 12 months from the effective date of Circular 03, **enterprises** with foreign investors owning shares or capital contribution portions of more than 50% but less than 51% of their charter capital currently use IIAs under Circular 05 and Circular 06) will have to open a DICA according to the provisions of Circular 06 for use instead of their existing IIAs. During the transition period, to facilitate foreign investors of the above enterprises (currently owning shares or capital contribution portions from over 50% to less than 51% of such enterprises’ charter capital and using IIAs according to the provisions of Circular 05 and Circular 06) to continue using their existing IIAs (until opening a DICA according to the new regulations) to carry out revenue and expenditure transactions related to contribution of capital to, and purchases of shares and capital contribution portions in the above-mentioned enterprises.

3. General principles when opening and using indirect investment accounts

In addition to continuing to maintain the principles stipulated in Circular 05 such as:

- (a) All revenue and expenditure transactions related to FII activities in Vietnam of foreign investors must be conducted through IIAs;
- (b) The balance in the IIAs of foreign investors cannot be transferred to term deposits and savings deposits.

Circular 03 provides some new regulations such as:

- (c) Foreign investors are not allowed to open joint IIAs (with two or more entities opening the account together) to conduct FII activities in Vietnam.
- (d) Money transfer orders related to foreign investors' FII activities in Vietnam must clearly state the purpose of the transfer so that authorized banks have a basis for comparison, verification, retention of documents and implementation of transactions.

4. Opening indirect investment account

Although maintaining certain provisions of Circular 05, according to which foreign investors are only allowed to open 1 (one) IIA at 1 (one) authorized bank to conduct revenue and expenditure transactions related to FII activities in Vietnam, Circular 03 adds a number of exceptions allowing certain specific foreign investors to open additional IIAs in the following cases:

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- (a) A foreign investor that is a foreign securities company is allowed to open 2 (two) IIAs corresponding to 2 (two) granted securities trading codes: 1 (one) IIA for its own trading activities and 1 (one) IIA for the company's securities brokerage activities;
- (b) A foreign investor that is a foreign investment fund or foreign organization managed by many foreign fund management companies is allowed to open additional IIA(s) corresponding to the granted securities trading code(s), in which each investment portfolio managed by a foreign fund management company is allowed to open 1 (one) IIA corresponding to 1 (one) granted securities trading code; an investment portfolio self-managed by a foreign investment fund or organization that has been granted 1 (one) separate securities trading code is allowed to open 1 (one) IIA correspondingly;
- (c) Foreign investors that are investment organizations under foreign governments or are investment and financial organizations under international financial institutions of which Vietnam is a member are allowed to open additional IIAs corresponding to the assigned securities transaction codes, in which each investment portfolio deposited at a custodian bank that has been granted 1 (one) securities transaction code is allowed to open 1 (one) IIA correspondingly.

In the above-mentioned cases of exception, foreign investors must submit documents proving that they have been granted a securities trading code by a competent authority of Vietnam in accordance with the laws on securities.

The highlight of Circular 03 is that if the documents, information, and data in the application for opening an IIA to make investments on the Vietnamese securities market are in a foreign language or issued by a foreign country's competent authority, consular legalization shall not be required. Instead:

- (a) The documents must be notarized or certified in accordance with the provisions of Vietnamese laws or foreign laws within 12 months from the date the bank is allowed to receive the application;
- (b) Authorized banks are allowed to discuss with customers on whether or not to translate them into Vietnamese, but must ensure the following principles:
 - (i) Authorized banks must check, control and be responsible for confirming the contents of such documents, information and data in foreign languages to ensure that they fully provide requested information as stipulated in Circular 03;
 - (ii) Documents, information and data in foreign languages must be translated into Vietnamese if requested by competent authorities; the translation must be certified by a competent person of the authorized bank or must be notarized or certified.

These new regulations not only help simplify administrative procedures for foreign investors when opening an IIA but also creates more favourable conditions for foreign capital flow on Vietnamese market. This marks an important step forward to remove one of the bottlenecks on the roadmap to upgrade the Vietnamese stock market, which is expected to come true by the end of 2025.

5. Using indirect investment accounts

Circular 03 provides more detailed regulations on the use of IIAs to conduct revenue and expenditure transactions related to FII activities in Vietnam. Specifically:

- (a) Revenues:

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In addition to the transactions already specified in Circular 05, including:

- (i) Receiving revenues from selling foreign currency to authorized bank;
- (ii) Receiving revenues from transferring capital contribution portions and shares, selling securities and other valuable papers; receiving dividends, bonds, interest from investments in securities and valuable papers arising in Vietnamese Dong; getting profits shared from capital contributions, purchases of shares and capital contribution portions generated from FII activities in Vietnam;
- (iii) Receiving revenues from transfers from foreign investors' payment accounts in Vietnamese Dong opened at authorized bank (excluding the IIA);
- (iv) Collecting transfers from the accounts of fund management companies and other organizations permitted to perform investment trust operations for foreign investors in accordance with the provisions of law (applicable in the case where foreign investors conduct FII in Vietnam in the form of investment trust);

Circular 03 also adds the following transactions:

- (v) Collecting and transferring interest and other legal income when performing stock purchase transactions that do not require sufficient funds when placing orders by foreign investors who are organizations according to the current laws on securities;
- (vi) Collecting and transferring deposits and collateral to perform FII transactions in Vietnam, including:
 - Receiving monies to perform deposit and collateral transactions;
 - Receiving and refunding deposits and collateral to foreign investors according to the provisions of laws and agreements between the parties;
- (vii) Collecting bank transfers from old IIAs (applicable to the case where foreign investors need to open an IIA at another authorized bank).

(b) Expenses:

In addition to the transactions specified in Circular 05, including:

- (i) Expenses for capital contributions; purchases of shares, capital contribution portions, securities and other valuable papers;
- (ii) Expenses for purchasing foreign currency at the authorized bank to transfer capital, profits and legal sources of income abroad;
- (iii) Expenses for transferring monies to payment accounts in Vietnamese Dong of foreign investors opened at authorized bank (excluding FII account);
- (iv) Expenses for transferring monies to accounts of fund management companies and other organizations licensed to perform investment trust services for foreign investors according to the provisions of law (applicable in the case where foreign investors conduct FII in Vietnam in the form of investment trust);
- (v) Expenses for paying fees, charges, taxes, administrative fines, and expenses related to FII transactions in Vietnam;

Circular 03 also adds the following transactions:

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- (vi) Payments for losses and other expenses arising from the implementation of stock purchase transactions which do not require sufficient funds when placing orders by foreign institutional investors in accordance with current laws on securities;
- (vii) Payments for transferring deposits and collateral related to FII transactions in Vietnam, including:
 - Implementing deposit and collateral transactions;
 - Transferring to the foreign investor's Vietnamese Dong payment account or purchase foreign currency to transfer abroad for foreign investors the deposits and collateral that the foreign investor has transferred to Vietnam but has been refunded in accordance with the provisions of laws and the agreement between the parties;
- (viii) Payments for transferring monies to a new IIA (applicable to the case where foreign investors need to open an IIA at another authorized bank).

6. Obligations of concerned parties

(a) Obligations of foreign investors:

In addition to the obligations to honestly and fully declare the content of transactions related to FII activities in Vietnam and to provide records, documents, information and data as prescribed by authorized banks when opening and using IIAs as already stipulated in Circular 05, foreign investors have a number of new obligations under Circular 03 as follows:

- (i) To comply with the provisions of Circular 03; provisions of Vietnamese laws on investment, securities, prevention of and fighting against money laundering, terrorist financing and financing of proliferation of weapons of mass destruction; and provisions of other relevant laws.
- (ii) To be responsible before Vietnamese laws for the authenticity, validity and legality of records, documents, information and data provided to authorized banks.

(b) Obligations of authorized banks:

In addition to the obligation to check and keep papers and accounting source documents in accordance with actual transactions to ensure that the provision of foreign exchange services is carried out for the right purpose and in accordance with the provisions of law as already stipulated in Circular 05, authorized banks have a number of new obligations under Circular 03 as follows:

- (i) To be responsible before the laws for completeness and validity of application file for opening an IIA;
- (ii) To issue internal regulations on application file, order of and procedures for opening and using an IIA; and to make them publicly available for foreign investors to know and implement. Internal regulations must contain at least the following contents:
 - Regulations on application file, order of and procedures for opening an IIA;
 - Regulations on agreements for opening and using an IIA;
 - Regulations on use of an IIA;
 - Regulations on processing inquiries, complaints, and request templates for inquiries and complaints;

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- Regulations on risk management in opening and using IIAs.
- (iii) To comply with the provisions of law on preventing and combating money laundering, terrorist financing, and financing the proliferation of weapons of mass destruction;

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