

Client Alert

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Changes in regulations on bank card operations in Vietnam

Recent developments

On 25 December 2019, the State Bank of Vietnam ("**SBV**") issued Circular No. 28/2019/TT-NHNN ("**Circular No. 28**") amending and supplementing a number of articles of Circular No. 19/2016/TT-NHNN dated 30 June 2016 of the SBV on bank card operation ("**Circular No. 19**"), as amended by Circular No. 30/2016/TT-NHNN, Circular No. 26/2017/TT-NHNN and Circular No. 41/2018/TT-NHNN.

Circular No. 28 will come into effect from 01 April 2020, upon which, notably, non-legal entities are allowed to be debit cardholders. Another notable change is from 01 January 2021, domestic card present transactions must be routed via a gate way operated by a switching organization licensed by the SBV.

Key features

A broad overview of some key points of Circular No. 28 are as follows:

1. Domestic card present transactions must be routed via a gateway operated by a switching organization licensed by the SBV

Previously, under Circular No. 19, from 01 January 2020, the requirement to be switched via a gateway operated by a switching company licensed by the SBV (the "**Gateway Switching**") applies to all transactions of cards with BIN issued by international card organizations between the card issuer, the acquirer and the international card organization. Currently, in Vietnam, there is only one such organization, namely the National Payment Corporation of Vietnam ("**NAPAS**").

Circular No. 28 provides that from 01 January 2021, such Gateway Switching requirement is applicable to domestic card present transactions with BIN issued by international card organizations or BIN of a foreign country. More specifically, domestic card present transactions are defined as card transactions in which the card is issued by a Vietnamese card issuer and used for card transactions at automated teller machines or card accepting devices at points of sales in Vietnam.

However, Circular No. 28 does not address whether the Gateway Switching requirement applies to card transactions other than domestic present card transactions and with BIN issued by international card organizations or BIN of a foreign country. For example, the transactions may include (i) domestic card-not-present transactions; (ii) those with the card issued by a Vietnamese card issuer and used for payment to a party outside Vietnam; or (iii) those with the card issued by an offshore card issuer and used for payment to a party within the territory of Vietnam.





2. Non-legal entities are now permitted to use bank cards

Circular No. 28 removes the requirement that debit cardholders must be legal entities. From 01 April 2020, all organizations eligible to open payment accounts (i.e., including organizations being non-legal entities) are allowed to be debit cardholders. However, to be able to use credit cards and prepaid cards, an organization must still be a legal entity.

Regarding supplementary cardholders, in order to use debit cards, credit cards, or prepaid cards as per specific authorizations of the principal cardholder, an individual from 15 years old to less than 18 years old is no longer required to obtain a written approval from the individual's legal representative provided that the civil act capacity of such individual is not completely or partially limited.

3. More restrictions on the use of credit cards and prepaid cards

Credit cards must not be used to transfer (or debit) into payment accounts, debit cards, prepaid cards.

Anonymous prepaid cards can only be used for payment of lawful goods and services at card accepting devices at points of sales in Vietnam. Anonymous prepaid cards must not be used to conduct card transactions on the Internet environment and mobile apps, and cannot be used to withdraw cash.

4. More responsibility imposed on acquirers

From 01 April 2020, acquirers must require card accepting units/merchants to provide documents proving that the business operations of the merchants are lawful.

Under Circular No. 19, acquirers must conduct assessment and classification of entities having a need to accept card payments in accordance with the characteristics and business lines of the merchant. From 01 April 2020, such assessment and classification are specifically required to be conducted both at the first instance and on a periodical (i.e., quarterly or annually) basis.

5. Card issuer must be clearly identified on bank cards if the bank card has names or logos of more than one organization

If the bank card has on it the abbreviated names or commercial logos of various organizations (including the card issuer, the organization(s) in cooperation with the card issuer to issue bank cards, switching organizations, international card organizations and relevant entities), the bank card must clearly identify the card issuer or that the card is the property of the card issuer to avoid confusion to customers.

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Please do not hesitate to contact us if you have any questions or would like to understand more.

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