

thereof as follows:

I. GENERAL PROVISIONS

1. As from 2003, the Finance Ministry shall issue Government bonds in Vietnam dong and foreign currencies to mobilize capital for investment in important traffic and irrigation works of the country, thus contributing to the socio-economic development and economic restructuring.

2. Annual plans on issuance of Government bonds shall be decided by the Finance Minister on the basis of implementation progress of works and capital demands for the repayment of mature Government bonds.

3. All loans from the issuance of Government bonds shall be concentrated at the State Treasury for use for works on the list already approved by the Prime Minister. They must absolutely not be used for other purposes.

4. Government bonds may be transferred, donated, bequeathed or used for pledges in credit relations; Government bonds in Vietnam dong shall be listed and traded on the central securities market.

Depending on the practical conditions, the State may purchase back bonds before they become mature.

5. Organizations and individuals shall purchase Government bonds on the principle of voluntariness. The State encourages organizations and individuals to actively purchase Government bonds for investment in some important traffic and irrigation works of the country.

II. SPECIFIC PROVISIONS

1. Currencies in which bonds are issued and paid

THE MINISTRY OF FINANCE

CIRCULAR No. 88/2003/TT-BTC OF SEPTEMBER 16, 2003 GUIDING THE IMPLEMENTATION OF THE PRIME MINISTER'S DECISION No. 182/2003/QD-TTg OF SEPTEMBER 5, 2003 ON THE ISSUANCE OF GOVERNMENT BONDS FOR INVESTMENT IN SOME IMPORTANT TRAFFIC AND IRRIGATION WORKS OF THE COUNTRY

In furtherance of the Prime Minister's Decision No. 182/2003/QD-TTg of September 5, 2003 on the issuance of Government bonds for investment in some important traffic and irrigation works of the country, and after consulting with the State Bank, the Finance Ministry hereby guides the implementation

Government bonds are issued and paid in Vietnam dong and freely convertible foreign currencies.

Bonds issued in a given currency shall have their principals and interests paid in such currency. In cases where a bond payment amount involves an odd in foreign currency (smaller than a currency unit), such odd shall be converted into Vietnam dong at the selling rate announced by the local banks for foreign trade at the latest time for payment to bearers.

2. Bond forms and denominations:

2.1. For Vietnam dong:

a/ Bearer certificates and registered certificates are all pre-printed with certain denominations. Bond denominations include: VND 100,000, VND 200,000, VND 500,000, VND 1,000,000, VND 2,000,000, VND 5,000,000, VND 10,000,000, VND 20,000,000, VND 50,000,000, VND 100,000,000.

b/ Book entries.

2.2. For foreign currencies:

Forms, foreign currencies and denominations of bonds are prescribed by the Finance Minister for each issuance.

2.3. Forms of bond certificates are set out and assigned by the Finance Ministry to the Central State Treasury for organization of printing, management and use in the entire system.

3. Bond terms:

Government bonds have a term of 5 years or 10 years. In case of necessity, the Finance Minister shall decide on the issuance of assorted bonds with shorter or longer terms to meet the works' demand for investment capital and to suit the actual situation of the market.

4. Bond interest rates:

Government bond interest rates are determined

according to the market principles to ensure that they are fairly attractive while causing no interest rate fluctuation on the market. The Finance Minister shall decide on the bond interest rates after consulting the State Bank. The interest rate for each issuance shall be determined in conformity with each issuance mode, more concretely as follows:

4.1. Issuance by mode of retail sale and agency: The Finance Minister shall decide on the interest rate for each issuance.

4.2. Issuance by mode of underwriting and bidding: The Finance Minister shall decide on the ceiling interest rate in each period. The general director of the State Treasury shall administer the interest rate for each issuance, ensuring that it shall not exceed the permitted ceiling rate.

Depending on the practical conditions, the Finance Minister may decide on the mode of interest rate bidding or volume bidding as appropriate.

5. Bond purchasers:

5.1. Subjects that participate in the purchase of Government bonds include:

a/ Vietnamese citizens at home and abroad;

b/ Overseas Vietnamese;

c/ Foreigners working and/or residing in Vietnam;

d/ Administrative and non-business agencies;

e/ Political organizations; socio-political organizations; political-social-professional organizations; social organizations; socio-professional organizations;

f/ Organizations of all economic sectors;

g/ Foreign organizations operating in the Vietnamese territory.

The subjects defined at Points d, e and f must not use the State budget allocations to purchase bonds.

5.2. The bidding of Government bonds in foreign currencies shall only apply to credit institutions

operating under the Law on Credit Institutions in Vietnam, licensed to deal in foreign exchange and having foreign-currency accounts opened at the State Bank.

5.3. The Finance Minister shall specify the subjects entitled to purchase bonds in each issuance.

6. Mode of issuance

6.1. Retail sale through the system of State Treasury

a/ Bonds issued by mode of retail sale through the system of State Treasury shall be in Vietnam dong and freely convertible currencies.

b/ The issuance of Government bonds in foreign currencies by mode of retail sale may be conducted in a number of provinces and big cities in suitability with the actual capital mobilization demand and capability.

c/ Bonds retailed through the system of State Treasury shall be sold in par value form.

6.2. Bidding through the State Bank

a/ Foreign-currency Government bonds shall be issued by mode of bidding through the State Bank. The State Bank shall act as an agent for the Finance Ministry in the issuance and payment of foreign-currency Government bonds.

b/ Bonds shall be issued in par value, in form of book entries, recorded to and managed by the State Bank.

c/ The bidding of Government bonds shall be conducted in two forms of interest rate competition and non-competition.

For each issuance, the Finance Ministry may prescribe the form of interest rate competition bidding or combined interest rate competition and non-competition bidding. In case of application of both forms of interest rate competition and non-competition bidding, the volume of bonds put in the

interest rate non-competition bidding must not exceed 30% of the total volume of bonds to be issued in such bidding time. In cases where the volume of interest rate non-competition tenders is smaller than or equal to 30% of the total volume, the bid winner shall be determined by such volume of tenders.

d/ Organization of bidding:

- Bidding notification: At least two working days before the date of bidding organization, basing itself on the Finance Ministry's request for Government bond issuance, the State Bank shall send bidding notices to the market members and announce the bidding on the mass media.

- Members participating in the bidding shall not be limited in minimum volume of tenders and shall not have to pay deposits when making tenders.

- Before 13:00 hrs of the bidding opening date, the bidding participants shall have to send their tender bills to the State Bank.

- The bidding opening time is prescribed to be 13:30 hrs of the bidding date.

- Determination of the bid-winning volume and interest rate of the Government bonds.

Bases for determining the bid-winning volume and interest rate of Government bonds include: the tendering bond volumes and interest rates offered by bidding participating organizations; the bond volume planned to be issued in form of interest rate competition and non-competition; and the ceiling interest rate.

The principle for determining bid-winning volume and interest rate:

+ For subjects participating in bidding in competition form: The bid-winning bond volume shall be selected according to tendering interest rates from lower to higher ones under the ceiling interest rate; If at the highest bid-winning interest rate, the volume of bond tenders exceeds the volume of bonds planned to be issued by mode of competition, the bid-winning bond volume shall be divided to each

tender bill in proportion to the volume of bond tenders at such interest rate.

The highest bid-winning interest rate shall be the issuance interest rate applicable to all bid winners.

+ For subjects participating in the bidding in form of interest rate non-competition: The volume of bonds issued to such subjects shall be divided in proportion to the bond volume subscribed by each subject. Bond purchasing interest rate shall be the bid-winning interest rate determined through the interest rate competition bidding.

e/ Transfer of money amounts for purchasing bid-winning Government bonds:

- Within two working days following the bidding date, bid-winning units shall have to remit their entire money amounts for purchasing bonds at the selling prices already determined in the bid-winning notices into the foreign-currency accounts opened by the Central State Treasury at the State Bank.

- The date of bond issuance is fixed on the second working day after the bidding date. On the issuance date, the State Bank shall notify the State Treasury of credit on money amounts generated from the sale of Government bonds from the bid-winning organizations, and at the same time make entries of crediting to the Government bond account for the bid-winning organizations.

- In cases where the bid-winning members carry out the payment procedures after the prescribed time limit, the State Bank shall deduct payment amounts from foreign-currency accounts of the units and transfer them to the State Treasury. If the balance on deposit accounts of the bid-winning members is not enough for payment, the unpaid bid-winning proportions shall be canceled and the concerned units shall be imposed a fine equal to 5% of the canceled amount, which shall be remitted into the State budget.

f/ The board for treasury bill bidding is tasked to assist the Finance Ministry and the State Bank in organizing and supervising the operation of the

foreign-currency Government bond bidding market.

g/ The State Bank shall guide in detail the order and procedures for bidding foreign-currency Government bonds.

6.3. Bidding through the Securities Trading Centers:

a/ Government bonds in Vietnam dong shall be issued by mode of bidding through the Securities Trading Centers according to the provisions in the Finance Ministry's Circular No. 55/2000/TT-BTC of June 9, 2000 guiding the bidding of Government bonds through the centralized securities trading market.

b/ Organizations and individuals other than the bidding members at the Securities Trading Centers may make their tenders through bidding members.

c/ Organizations and individuals participating in the bidding shall not have to pay deposits when making their tenders.

6.4. Issuance underwriting and agency

Government bonds in Vietnam dong shall be issued by mode of issuance underwriting or agency according to the provisions of the Finance Ministry's Circular No. 68/2000/TT-BTC of July 13, 2000 guiding in detail a number of points on Government bond issuance underwriting and agency, and Circular No. 13/2002/TT-BTC of February 5, 2002 amending and supplementing a number of points of the Finance Ministry's Circular No. 68/2000/TT-BTC of July 13, 2000.

7. Bond payment

7.1. Payment of principals and interests of mature bonds

a/ Bond principals shall be paid in lump sum when bonds are mature.

b/ Bond interests shall be paid once a year.

c/ For bonds retailed through the State Treasury

system or bonds listed at the Securities Trading Centers but not put in the concentrated custody, when they are mature for payment of principals or interests but their owners do not come for payment, such principals or interests shall be retained for payment to bond owners when they so request. Capitalized interest and interest for the over-mature period shall not be calculated.

7.2. Purchasing back of bonds before their maturity

In case of necessity, the Finance Minister shall decide to purchase back bonds before their maturity in conformity with the State budget's capability and the objectives of the national finance policy.

7.3. Bond payment modes

a/ For Vietnam-dong bonds

- For bearer bonds or bonds not recorded in books but put in the concentrated custody at the Securities Trading Centers: the payment of bond principals and interests shall be made at the bond custody organizations. One day before the principal and interest payment deadline, the Finance Ministry shall carry out the procedures for transferring capital to the Securities Trading Centers for further transfer to custody organizations for direct payment to bond owners.

- For bearer bonds not put in the centralized custody at the Securities Trading Center: Bond owners can freely choose principal or interest payment places at the State Treasury units or the Government bond payment agents. The State Treasury and payment agents shall advance capital for payment to bond owners. Periodically, the State Treasury and payment agents shall sum up the already paid amounts and request the Finance Ministry to promptly refund the advanced amounts.

- For registered bonds: The bond principal and interest payment shall be effected at the places of issuance. Monthly, the State Treasury shall sum up

the already paid amounts and request the Finance Ministry to promptly refund the advanced amounts

b/ For foreign-currency bonds:

- For those issued by mode of bidding through the State Bank: The payment of principals and interests of mature bonds shall be made through the State Bank. One day before the principal and interest payment deadline, the Finance Ministry shall carry out the procedures for transferring foreign-currency amounts from the existing foreign currency source or transferring Vietnam-dong amounts for purchase of foreign currencies from the State Bank for payment of principals and/or interests to bond owners.

- For those issued by mode of retail through the State Treasury system: The payment of principals and interests of mature bonds shall be made at the State Treasury in localities where such bonds are issued.

The foreign-currency source for payment at the State Treasury units shall be transferred by the Central State Treasury. In cases where the Finance Ministry purchases foreign currencies from the State Bank for payment of principals and interests of mature bonds, the exchange rates on the inter-bank foreign currency market at the time of purchase shall apply.

8. Handling of cases of bond loss or damage:

8.1. In cases where bearer bond certificates are lost or erased, modified, ragged or damaged to the extent that they lose their original shapes and contents, they shall not be paid.

8.2. In cases where registered bond certificates are lost or ragged or damaged, their owners shall have to notify such in writing to the State Treasury of localities where they have been issued. The heads of the State Treasury units shall have to check out bonds and confirm the payment thereof when such bonds are mature, if they have not been used to illegally withdraw money. If such bonds have already been used to illegally withdraw money, the heads of the State Treasury units shall have to promptly inspect

them, determine the causes and take handling measures according to the provisions of law.

9. Rights and responsibilities of bond owners:

9.1. To be secured by the Finance Ministry to get full and timely payment of bond principals and interests in currencies in which such bonds have been purchased.

9.2. To sell, donate, present as gift, bequeath or pledge their bonds.

9.3. Owners of Vietnam-dong bonds may purchase, sell or trade in bonds through the Securities Trading Centers.

9.4. Bond owners being credit institutions are allowed to trade in bonds on the monetary market, discount or rediscount bonds according to the State Bank's regulations:

9.5. Incomes from bond interests and margins from the bond purchase and sale earned by individuals shall be exempt from income tax.

9.6. Bond owners may deposit their bond certificates at the State Treasury for preservation. Bond owners being individuals are exempt from State Treasury preservation charge.

9.7. Not to use bonds to substitute for money in circulation, tax payment or perform the financial obligations toward the State.

10. Management of sources of the bond issuance revenues and sources for payment of bond principals and interests

10.1. All revenue amounts generated from the bond issuance shall be remitted into the State Treasury for use for investment in projects on the list already approved by the Prime Minister or the payment of mature bonds already issued for important works. They must not be used for other purposes.

For revenue amounts from the issuance of foreign-currency bonds, after subtracting direct expenses in foreign currencies, the Finance Ministry shall sell them to the State Bank for purpose of increase of the State's foreign exchange reserve at the exchange rates on the inter-bank foreign currency market at the time of sale; Vietnam-dong amounts paid by the State bank shall be transferred to the Finance Ministry.

10.2. Capital source for annual payment of Government bonds shall be ensured by the central budget and incorporated in annual State budget estimates.

The capital source for payment of bond principals shall be allocated from the source of the subsequent Government bond issuances or partially incorporated in the annual State budget estimates under the Prime Minister's decisions.

10.3. The State Treasury shall organize the management and accounting of revenues from the bond issuance in separation from the source for payment of bond principals. The payment of bond principals directly from the State budget shall be made through such account.

11. Expenses for bond issuance and payment

11.1. Expenses for Government bond issuance and payment shall be paid by the central budget to organizations performing the task of bond issuance and payment; more concretely as follows:

a/ Expenses for issuance and payment of bonds retailed through the State Treasury system shall be equal to 0.5% of the value of retailed bonds.

Particularly for the bond issuance and payment for the Social Insurance, the State Treasury shall enjoy a charge at the rate of 0.2% of the issued bonds' value.

b/ The charge for organizing bond bidding through the Securities Trading Centers shall be equal to

0.15% of the total value of bid-winning bonds. The Securities Trading Centers shall negotiate with the members having received tenders from organizations and individuals on the charge rate to be enjoyed, which must not exceed 0.05% of the value of bid-winning bonds of organizations and individuals that are not bidding members.

c/ The maximum charge to be paid to the bond issuance agents shall be equal to 0.1% of the value of bonds sold to investors.

d/ The charge to be paid to the bond payment agents shall be equal to 0.1% of the value of actually paid principal and interest amounts.

e/ The maximum charge to be paid to the bond issuance underwriting organizations shall be equal to 0.2% of the value of bonds undertaken for issuance underwriting.

f/ The charge for issuance and payment of foreign-currency Government bonds bid through the State Bank shall be equal to 0.1% of the value of issued bonds.

In case of issuance in foreign currencies, the issuance and payment expenses shall be converted into Vietnam dong at the accounting exchange rates prescribed by the Finance Ministry.

11.2. Expenses for printing bonds shall be paid directly by the Central Budget to the bond printing organizations.

11.3. Expenses for remitting bond principals and interests into accounts at requests of bond owners shall be paid by the bond owners at the via-bank payment charge rate.

III. ORGANIZATION OF IMPLEMENTATION

1. This Circular takes effect as from the effective date of the Prime Minister's Decision No. 182/2003/QĐ-TTg of September 5, 2003 on the issuance of Government bonds for investment in some important traffic and irrigation works of the country.

2. The State Treasury shall have to calculate and work out plans on printing of bonds according to the rational structure of denominations and sufficient supply thereof to the State Treasury units; directly organize the bond issuance; organize the accounting and book-keeping of bond revenues; monitor and report to the Finance Ministry on the result of the bond issuance throughout the country.

3. The ministers, the heads of the ministerial-level agencies, the heads of the agencies attached to the Government, the presidents of the People's Committees of the provinces and centrally-run cities, the general director of the State Treasury, the heads of the units attached to and under the Finance Ministry, the directors of the State Treasury branches in the provinces and centrally-run cities shall have to implement this Circular.

For the Minister of Finance

Vice Minister

LE THI BANG TAM