

## **Draft decree sets more conditions on investors wishing to buy SOEs**

**A strategic investor that wishes to purchase shares of an equitized state-owned enterprise (SOE) must have the same core business lines as the enterprise.**

**This is one among the new conditions on strategic investors which are set by the Ministry of Finance in a draft decree on transformation of SOEs into joint-stock companies.**



Specifically, under Article 6 of the draft, a strategic investor must have operated at a profit for two years by the time of registration of share purchase. In addition, the investor's equity shown in the audited financial statement of the latest year must be sufficient for purchase of the registered share volume.

Under Decree 59 issued in 2011, strategic investors of equitized SOEs must have financial capacity and will be required to make a written commitment to bind their long-term interests with the enterprises and assist them in technology transfer, human resource training, increase of financial capacity, corporate governance, supply of materials, and development of product outlets.

According to the draft, the number of strategic investors at an enterprise would not be restricted at three as at present. However, in case there is only one strategic investor registering to purchase shares, the enterprise would not sell the shares to the investor based on agreement, but hold a public auction to sell shares also to other investors.

The Ministry of Finance explains that the agreement-based sale of shares to strategic investors fails to ensure publicity and transparency, causing loss of state capital. It also reveals problems because strategic investors are obliged to provide resources as committed but refrain from selling shares within five years. At the same time, there are no sanctions for handling strategic investors who fail to comply with their commitments.

The Ministry proposes settling the above problems to boost the equitization process during 2016-20 and ensure compliance with the 2014 laws on enterprises, investment, and management and use of state capital invested in production and business at enterprises.

The draft is expected to supersede Decree 59 of 2011, Decree 189 of 2013 and Decree 116 of 2015, on transformation of wholly state-owned enterprises into joint-stock companies.

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