

## NOT A REAL TWIST TO PRIVATE BOND PLACEMENT CONDITIONS?

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Among the recent flurry of laws enacted and taking effect, the amended Enterprise Law stands out, shaking up business operations and the economy like a black Vietnamese coffee in an early morning of the National Rise Era.

Meanwhile, wrestling with a stack of private bond issuance deals, scratching our heads over the regulatory stance on the shiny new conditions for private bond offerings tucked into this law.

“The total liabilities (including the value of the proposed bond issuance) must not exceed five times the issuer’s equity as per the audited financial statements of the preceding year; except for state-owned enterprises, companies issuing bonds for real estate projects, credit institutions, insurance companies, reinsurance firms, insurance brokers, securities companies, or fund management companies, which are subject to relevant legal provisions.”

We have been tracking this since the draft stage, through endless rounds of feedback, but honestly, none of the explanations have hit the mark.

Here are the head-scratchers we are pondering:

### 1. Why the 5x Debt-to-Equity Magic Number?

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The 5x (or even 3x, borrowed from some savvy international playbooks) ratio has us puzzled. Both 3x or 5x might feel a bit wobbly - plenty of listed companies might trip over that.

We all have to roll with 5x and hope for the best.

This ratio is touted as the “miracle cure” to ensure transparent, honest businesses can keep issuing bonds to raise capital. Plus, it is supposed to weed out the shady players who have been exploiting private bond rules for a quick buck - we’ve seen those headlines.

**2. 5x for the Parent Singly or the Whole Group on the Consolidated Basis?**

If the consolidated reports show a 3x ratio, but the parent company alone clocks in at 7x - because mom’s been borrowing left and right to fund the kids! What’s the game plan here?

Securities Law will sync up soon, so for now, deep breaths and wait for the clarification!

**3. Why the Real Estate Project Exemption?**

Real estate firms - where debt pressures and investor risks are piling up like traffic on Hanoi’s streets - are exempt from the 5x rule. Meanwhile, other sectors like infrastructure or energy, stuck with the ratio but under other legislations, which can be more than 5x, are left wondering how to navigate this maze.

**4. Aren’t They All for Sophisticated Investors Now?**

The Securities Law already limits private bond purchases to professional investors. And if it is an individual investor, the bonds need a credit rating plus collateral or a bank guarantee.