

The Decree on Credit Co-operatives and Commercial Banks also established a number of critical operational rules for credit institutions. These institutions must maintain a reserve fund which varies between 10 per cent and 35 per cent of their deposits. There is a cap on capital mobilization equal to 20 times the financial institution's equity. As well, the decree contains restrictions to ensure diversification of risk. No single customer may borrow more than 10 per cent of a bank's reserve fund. Moreover the total credit outstanding to the bank's ten largest customers cannot exceed 30 per cent of its total loans.

Despite the adoption of these and other equally important rules problems remain.

The existing restrictions on self dealing and ownership levels are simplistic and can be easily by-passed through multiple legal entities and ostensibly unconnected persons.

In addition, current Vietnamese law pro-

vides that Vietnamese creditors are entitled to priority in the repayment of debts on a bank's closure. Commercial banks in Vietnam are still obliged to provide preferential loans to special economic sectors regardless of those sectors' ability to repay the loans. This is an example of government policy overriding commercial lending principles.

**C**ommercial bankers must know not only that they hold a valid security interest in collateral but that their interest is a first charge on the collateral. This requires some sort of system for the registration of security interests. A number of Canada's provincial governments have developed computerized personal property securities systems based on the system initially established by Ontario in the 1960s and subsequently refined. The Canadian systems provide a mechanism for the registration of security interests on a "first in time" priority basis. Equally important is the sophisticated means of searching for other secured interests a

prospective borrower might have previously granted. Collateral can be searched by borrower name or serial number - an important capability for easily transported collateral such as automobiles.

The Vietnamese seminar participants were very interested in the prospects for adopting the Canadian system. There may be an opportunity for the sale of a modified version of a Canadian system to the Vietnamese government. While the Vietnamese do not have a great deal of money the Canadian systems are typically self-financed through user fees.

Initial enquiries have been made with the goal of organizing a Vietnamese delegation visit to Canada to learn how the Canadian systems operate and how they might be adapted to meet Vietnam's requirements. ♦

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# Mckenna

meets with  
Canada's leading Chinese  
entrepreneurs



*New Brunswick Premier Frank McKenna, here shown with Felix Li of the Canada-Chinese Trade Council, urged Chinese business leaders in Toronto to consider investing in New Brunswick.*

**O**n February 25th, New Brunswick Premier Frank McKenna spoke to 75 of Canada's leading Chinese entrepreneurs at the Mandarin Club in Toronto about the benefits of investing in New Brunswick.

McKenna, who visited Hong Kong in March 1992, said at that time he was "staggered at the pace of development and the enormous potential." While continuing to forge links with the Hong Kong and Chinese markets, McKenna said he is also excited about strengthening ties with the Chinese business community in Canada.

New Brunswick companies currently export HK\$124 million (CDN\$20 million) in products to China annually.

"In the past year over 100 jobs have been created in New Brunswick by Chinese investment in textiles and computers," he said, "thanks to companies like WHK Woven Labels Ltd and the 3D Microcomputer plant announced last week."

McKenna spoke about the many advantages of locating a business in New Brunswick, and about the province's strong economic performance. "We have led the region in economic growth for the past few years and all forecasts predict a similar

performance in the years to come." He said New Brunswick led all of Canada last year in growth of manufacturing shipments, was second in employment growth and surpassed the national average in retail sales and housing starts.

"The entrepreneurial spirit has never been stronger in New Brunswick," he added, inviting those gathered to come and see first hand the potential in New Brunswick. He cited opportunities for joint ventures in areas such as nuclear engineering, environmental protection, software development, major energy projects and mining and forestry management.

In addition to Toronto area business people, guests included representatives of the Consulate General of the People's Republic of China in Toronto, the Canada China Trade Council, the Hong Kong Canada Business Association, the Hong Kong Economic and Trade Office, the Toronto Chinese Business Association, the Taipei Economic and Cultural Office, the Korea Trade Centre, the Canada China Trade Council, the Canada-Taiwan Business Association, the China Council for Promotion of International Trade, the Hong Kong Economic and Trade Office and the Hong Kong Trade Development Council. ♦