

## **SPEECH BY BANKING WORKING GROUP**

*Prepared by Bank Working Group  
Vietnam Business Forum*

Your Excellency Deputy Prime Minister Vuong Dinh Hue  
Your Excellency Minister of Planning and Investment Nguyen Chi Dung  
Your Excellency Governor of the State Bank Le Minh Hung and Deputy Governor Nguyen Thi Hong)  
Distinguished guests,

The Bank Working Group with 30 foreign bank members having the presence and operating in Vietnam, we would like to express our appreciation having this forum dedicated for VBF members to share our thoughts and recommendations to the Government of Vietnam.

We are delighted to hear about the success from tremendous efforts by the Government and all ministries after one year of implementing Resolution 35 to improve the environment to foster businesses. New FDI registered grows by 10% by April 2017, and we are proud that the foreign banks contribute into this growth by providing FDI clients the same level of services they receive in all other countries they operate in, facilitating new FDI flows into Vietnam by guiding them to access the market, servicing their needs in capital injections, FX and cash management and repatriation, providing SMEs segment with advanced financing solutions to assist them join the global supply chains.

We are thankful for the working relationship between SBV and BWG, our active coordination to review and solve technical issues through consultative meetings, workshops, conferences that have resulted in positive improvements and removal of numerous obstacles. In the coming time, SBV & BWG will intensify our cooperation and plan quarterly high-level meetings to update about the market situation, discuss the macro issues and relevant policies. BWG appreciates SBV's efforts and achievements in their banking industry restructuring and the long awaited Resolution on handling bad debt and revision of the Law on Credit Institutions. As it is about to participate in many regional free trade agreements and further integrate into the regional economies, Vietnam needs to maintain competitiveness in the ASEAN and other global markets, the Prime Minister and the Government Cabinet has made the right decision to focus on the minimizing costs of doing business, particularly the compliance costs as decided in the Instruction 20 signed and actions announced by the Government at the May 17 Meeting on stronger customs and tax reforms by accelerating the mass adoption of the electronic customs and electronic tax payments.

In order to implement those actions the Prime Minister aimed at reducing costs for business, the BWG would like to contribute our recommendations on areas the Government and the foreign banks could work together in the banking sector to meet the objectives of the Government.

### **1. Digitalization and Fintech:**

We are excited with the announcement of the Government on the non-cash payment plan by 2020 and the decision to set up the Fintech Steering Committee by the Governor of the State Bank of Vietnam. Digitization has been a global trend that leads to greater efficiency, extended reach and lower costs and it presents opportunities for countries to develop technology and financial sector by

creating FinTech Ecosystem. To advance the digital agenda, we ask the Government, SBV and other relevant ministries to consider regulatory, legal and policy issues stemming from technology, platforms and providers, to address issues of privacy, security, intellectual property, customer protection and a level playing field while giving light touch regulation with intervention only when necessary to allow innovation.

Accelerating the development of digitization and Fintech in the banking sector requires new mindset to create a legal corridor that allows customers to transact with banks anytime, anywhere, instead of coming to the banks as the traditional method. Moreover, banks should be allowed to directly connect to the government's National ID system and credit information centers for the needs of customer identification and credit history analysis online. At the same time, the judicial system and judicial authorities must recognize electronic documents, electronic data, electronic signatures, etc., to minimize the paperworks between banks and clients.

At present, many governments around the world have had very strong solutions to promote the development of digitization and Fintech such as India, Singapore, China, USA.. With the experience in the international market, we look forward to supporting the SBV and the Government of Vietnam in promoting Fintech, comprehensive financial solutions and e-banking in Vietnam.

## **2. Simplification of Documentation:**

In the spirit of digitization and reducing costs by expanding e-Customs and e-Tax payments, we would like to call for a comprehensive review and gap analysis of existing FX and payment regulations to align with Decision 33/2016 by the Prime Minister on electronic customs documentation to remove unnecessary supporting documentation requirements by allowing payment automation by full connection with e-customs and e-tax systems among banks, customs, tax authorities and enterprises.

## **3. Civil Code and interest rate calculation:**

We highly appreciate that the SBV called for comments on the interest calculation method in banking operations, in which interest is calculated from the next consecutive day (based on the opening balance) (Article 147 of the Civil Code on time-limit does not count the first day, the time-limit is established only from the next consecutive day). However, according to the international practices as well as the current bank's core banking system, the interest is calculated from the disbursement date and therefore, based on the closing balance.

If the regulation on interest rates on bank loans is applied, banks have to upgrade the core banking system in a radical way, since this calculation method not only affects the formula for calculating interest, liquidity and safety ratios but also the daily, monthly, annually reports submitting to the regulatory authorities. Besides, such core banking system upgrades require significant costs and resources for the banking industry, while it doesn't create any benefits for both banks and customers, thus creating enormous waste for society.

We respectfully recommend the State Bank of Vietnam to work with BWG and relevant stakeholders to find alternative solutions.

## **Final words**

As the main banks for foreign investors of all nationalities, BWG is fully dedicated to work with SBV and other Government ministries to take immediate actions that help the Government to meet its GDP growth target, to increase productivity and reduce the costs and risks of doing business in Vietnam, to best service foreign investors, assisting Vietnamese Government to implement its Financial Inclusion Program giving financial service access to individuals, MSMEs, corporates and government in the economy.

All BWG members wish H.E. Deputy Prime Minister, Governor, Deputy Governor and the Government Cabinet good health and success.