

**MINUTES OF TECHNICAL MEETING WITH THE STATE BANK OF VIETNAM
& THE BANKING WORKING GROUP - VIETNAM BUSINESS FORUM**

Date and Time: 8:30 AM, May 24th, 2016

Venue: The State Bank of Vietnam, 25 Ly Thuong Kiet, Hanoi

MEETING SUMMARY

The Banking Supervision Agency

1. The official letter no. 721/TTGSNH4 on reporting of internal control and internal audit system regulated under Circular 44

▪ **Responsibility to establish a regular/periodic reporting system**

Point 1 of OL721/TTGSNH4 stipulated that: "The credit institutions and branches of foreign banks ("CIs & FBBs") are to collect and establish a system of regular quarterly reports from all departments of the institutional unit. As such, all the irregularities, incidents, violations and risks must be reported immediately to the General Director (Director), Board of directors, Board of Supervisors.

Thus, if foreign bank branches do not have the Board of Director and Board of Supervisors, the shortcomings, violations and risks will periodically be reported immediately to the General Director (Director). Based on the organizational structure of foreign bank branches, the general directors (directors) of foreign bank branches shall assign department in charge to inspect, review and assess severity of the shortcomings, violations and risks, synthesize and report to the General Director (Director).

▪ **On the issuance of relevant regulations by the credit institution, foreign bank branches**

Point 3 of the OL 721 stipulates: "No later than the 10th of the month following the reporting period, Head of internal audit to make quarterly reports to the Banking Supervision & Inspection Agency and SBV's branches in provinces or cities where their headquarter are located (except Hanoi and Ho Chi Minh city) on the following: (i) Summary of serious irregularities, high risks compiled from reports on irregularities and risks from the CI's units, departments and individuals; (ii) Summary of the important issues identified from the implementation of the annual internal audit and unscheduled audits carried out during the reporting period, especially at the request of the Board of Management / Board Member, Board of Supervisors; (iii) Report on the staffing issues of the internal audit department (Appointment and dismissal of the officers of the internal auditors and reasoning):

The General Director (Director) or the authorized person or the Head of Internal Audit shall be responsible for preparing written reports to the State Bank (the Banking Supervision Agency, SBV provincial/municipal branches) in accordance with regulations.

Foreign bank branches shall assess the violations and risks' severity themselves based on the bank branch's internal regulations as well as the local law & regulations on risk management.

If no internal audit is conducted within the reporting period, credit institutions and foreign bank branches shall not have to report.

The report on staffing issues of the internal audit is not applicable to foreign bank branches who do not have the internal audit division in Vietnam.

2. Decree 96/2014/ND-CP on Administrative sanction in relation to monetary and banking sectors

Ms. Lai Minh Thuy - Head of Legal Department, Citibank

Decree 96/2014/ND-CP on administrative sanction in relation to monetary and banking sectors, ("Decree 96") only specifies aggravating sanction mechanisms and does not provide alleviation when banks have self-identified the breaches, conducted necessary preventive measures and reported to SBV.

The absence of alleviation does not encourage employees and banks to self detect and report irregularities due to the concern of sanction, while this is an important step in the self-control processes of banks.

BWG would recommend SBV to further consider level of sanctions based on the nature of violations: whether its is unintentional breach - causing no harm to customers and banks, or systematic breach, arising out of defects in the system and loose control of the Bank or not, before imposing appropriate sanctions.

Ms. Ngo Lan Anh - Head of Legal and Compliance, Standard Chartered Bank

The foreign banks encourage self-reporting mechanism but currently still have to consider when and how to report due to the lack of alleviation mechanism. BWG would like to share the international best practices in this issue for SBV's consideration for further proposal submission to revise Decree 96.

Ms. Chu Hong Van - Head of Legal and Compliance at ANZ Bank

The financial sanctions are not material but likely to cause significant systemic/operational/reputational damage.

Response from Mr. Tiem - The Banking Supervision Agency Office

Decree 96 is based on the Law on Handling Administrative Violations dated June 20th, 2012, and only specifies level and form of sanction, specific details are set forth in the Law (e.g Article 9.3).

Article 9 of the Law on Handling Administrative Violations 2012 stipulates alleviation circumstances in administrative sanctions. In monetary and banking sectors, the Government does not propose other alleviation circumstances, therefore, during the implementation process, the officer in charge shall base on the nature, extent and consequences of violations, as well as violating entities to consider applying the alleviation circumstances stipulated in the Law.

Response from Mr. An - Deputy Director, International Cooperation Department

The Department shall discuss in further detail with the experts of Legal Department and BSA since it may not be necessary for the Decree to repeat every issue specified in the Law.

Response from Ms. Huong, Deputy Director, Legal Department

Article 83 of the Law on Promulgation of Legal Documents, puts forward a principle that Decrees and Circulars shall not repeat the law but provide guideline for its implementation. Where there are inconsistencies or conflicts, the prevailing order shall be Law - Decree - Circular.

If the Law has regulated in principle and the Government has provided the detailed regulations for each sector, these sector-specific regulations shall be applied, which in this case is Decree 96 dedicated to the banking sector.

Regarding the necessity for the Decree to repeat the Law's contents: According to Article 11 of the Law on Promulgation of Legal Documents, the documents detailing the implementation of

the Law (such as Decree, Circular) shall further specify the regulation guidelines to implement, not repeat the provisions stipulated in the Law.

In implementing the tasks assigned by the Law on Handling Administrative Violations, the Government issued Decree 96/2014/ND-CP on administrative violations, including levels and forms of sanction, remedial measures for damages caused, and administrative sanction authority in monetary and banking sector. Administrative violations, levels and forms of sanction, remedial measures for damages caused, and administrative sanction authority in monetary and banking sector must comply with Decree 96/2014/ND-CP's sector-specific regulation. Regulations on aggravating and alleviation circumstances can be found in the Law on Handling Administrative Violations.

3. Regulations on identity documents

BWG Representatives - Mr. Pham Quang Hung – Head of BWG's Legal and Compliance Sub-Committee and Ms. Lai Minh Thuy - Head of Legal Department, Citibank

Existing regulations specify 4 types of ID documents including passport, ID card (old and new version), citizen ID card. Banks encounter difficulties when customers conduct transactions such as obtaining loans/opening accounts in 2 different banks with 2 different types of ID documents (old and new). As a result, when banks send such information on the customer's new ID document to the Credit Information Center (CIC), no corresponding information can be found and extracted. In other words, banks have difficulties matching information based on 2 different types of ID documents.

Meanwhile, if customers present all types of ID documents that they have for the banks to send to CIC for inquiry, this will substantially increase additional costs for banks.

BWG would propose that CIC develop an interconnected system for extracting information, and at the same time, SBV should make it a requirement for banks to report on any changes to SBV for CIC updates.

Response from Ms. Huong, Deputy Director, Legal Department

It is legal obligation of banks and customers to update on any changes in their information. If regulations are strictly observed, this case should not be an issue.

In upcoming lending regulation replacing/amending Decision 1627, preventive measures and systems development shall be addressed. During the preparation of the revised lending regulation, banks may have their say in how their and customers' rights and obligations can be further clarified to ensure rationality.

Response from Mr. Le Anh Tuan - Head of R&D & Marketing Department, Vietnam's National Credit Information Center

CIC already anticipated this issue when Vietnam applies 12-digit ID card and citizen card.

Solutions: CIC is currently applying the following process: All new information on customers' ID documents must be sent to CIC within 3 business days since the change is updated so that CIC can update database and record both old and new information for searching purpose. CIC also allows for special cases such as public security or military ID/passport.

Extracting fees:

- CIC's provision of duplicate information on the same day of the same customers shall be charged 1 time only.
- When searching information at different points of time: It costs more to look up customer's information for the first time but from the second time onward when such person has officially become credit customer of the bank, the bank may search information in batch on a monthly basis to see whether there is any change, therefore the costs will be reduced.

Plan: In the coming time, in order to thoroughly solve this problem and improve borrowers' access to credit in accordance with Resolution 19 of the Government, CIC is planning to work with the Public security office - focal point in issuing new ID card numbers and identification numbers of citizens.

The Banking Supervision Agency

4. Circular 36/2014/TT-NHNN regulating prudential ratios in operations of credit institutions and foreign bank branches

- **Recommendation on increasing the stipulation of 15% and 35% limit ratio of Government bonds holding per short term funding for Foreign Bank Branches and Commercial Banks respectively**

Response from Ms. Hang - The Banking Supervision Agency

Circular 06/2016/TT-NHNN dated May 27th, 2016 amending and supplementing some articles of Circular No. 36/2014/TT-NHNN on prudential ratios in operations of credit institutions, foreign bank branches addressed the following issues: (i) Raise the rate of holding government bonds per short term funding by foreign banks branches from 15% to 35%; (ii) modify the calculation of short-term funding as the basis for determining the government bonds holding rate; (Iii) add provisions for cases where a credit institution/foreign bank branch have no short-term funding.

- **Recommendation on amending the definition of related persons in line with international standards or provide guidance to banks on how to determine those subjects for controlling single credit borrowing limit**

BWG representatives - Mr. Pham Quang Hung (HSBC) and Ms. Chu Hong Van (ANZ)

Banks have difficulty in obtaining information of related person, especially in cases of individual relations of board members, or relatives of overseas people and have proposed amendments in definition and requirements for related person.

Response from Ms. Hang - The Banking Supervision Agency

Circular 36 provides the definition of related person in accordance with the Law on Credit Institutions. Banks have to identify such persons to make rational credit decision/extension.

Currently the draft Circular replacing Circular 36 only clarifies some issues rather than modifying the definition because it is dependent on the Law's revision.

- **Calculation of credit limit**

Mr. Bui Nhat Dan - Head of Legal and Compliance at BNP Bank

We respectfully request SBV to provide further guidance on calculating the credit limit in case the loan is secured by the deposits/ collateral with the same or longer loan term and with the same loan value.

Response from Ms. Hang - The Banking Supervision Agency

Exclusions of the credit limit shall comply with the Law on Credit Institutions, Circular 36/2014/TT-NHNN and Circular 06/2016/TT-NHNN.

SBV shall consider BWG's recommendation to give exception to loans secured by deposits with the same or longer loan term and equivalent value to the loan.

▪ Limit on credit extension in the form of credit card to banks' Board of Management**Citibank & Standard Chartered Bank representatives:**

The limit on credit extension in the form of credit card to banks' Board of Management is not really appropriate.

Banking Supervision Agency/ Department for Inspection consulted with commercial banks 2 times on this issue.

Credit card can be considered as a method of payment. Banks actively limit the Management's abuse of credit card by deducting directly from their remuneration account by the payment due date, thereby minimizing overdue balance and associated abuse or credit loss.

General Director of some foreign banks discussed this issue in meetings with the Deputy Governor. The Deputy Governor also shared this viewpoint and communicated her instructions to relevant units.

Response from Ms. Hang - The Banking Supervision Agency

Article 126 of the Law on Credit Institutions 2010 specifies cases ineligible for credit provision, including members of the bank's Board of Management, Board members, the general director, deputy general director, etc.. Issuing credit card is also a form of credit provision, so banks may not issue credit cards for such persons stipulated in Article 126 of the Law on Credit Institutions 2010.

SBV shall consider banks' proposal on issuing credit card for the Board of Management.

▪ Exclusion of the guarantees issued on the basis of counter guarantee of foreign banks overseas out of the single credit limit calculation to be in line with international practices**Ms. Nguyen Thi Bich Ha - Compliance Officer, ANZ Bank**

Banks still have difficulty in this matter and have repeatedly discussed with the concerned departments of SBV. BWG shall conduct a workshop to introduce international best practice for SBV's consideration and application.

Response from Ms. Hang - The Banking Supervision Agency

Circular 06/2016/TT-NHNN dated May 27th, 2016 amending and supplementing some articles of Circular No. 36/2014/TT-NHNN on prudential ratios in operation of the credit institution, foreign bank branches, specifies that guarantees based on counter guarantee of foreign banks are not excluded from the calculation of credit limits granted to customers and related persons.

BWG: would recommend SBV to reconsider this regulation.

▪ The classification between "Government bonds to be held until maturity" and "Government bond trading"

Ms. Ngo Lan Anh - Head of Legal and Compliance at Standard Chartered Bank

BWG had proposed to classify 2 types of government bonds, to reflect on the management of liquidity.

Response from Ms. Hang - The Banking Supervision Agency

The Department has also received comments from several parties as BWG and the Ministry of Finance on this issue. However, due to many factors, currently the investment proportion of government bonds is still calculated as the total outstanding balance of government bonds regardless of type.

During the implementation of Circular 36/2014/TT-NHNN, the Ministry of Finance and concerned units have repeatedly commented on this issue and the Banking Supervision Agency also reported and explained to the Governor and Prime Minister for multiple times. Accordingly, the Banking Supervision Agency found that this recommendation is not practical since it partly nullifies the validity of the regulations which were established with a view to controlling the total volume of capital investments in Government bonds and prioritizing capital (including both short-term and long-term capital) for direct investment in the economy, businesses and individuals, thereby helping to reduce lending interest rates to businesses, individuals, and limiting adverse impact on monetary policies. This will also help to reduce maturity mismatch between capital mobilization and investment in government bonds, ensuring liquidity for credit institution system.

5. Circular 30/2014/TT-NHNN on entrusted lending**BWG representatives: Mr. Pham Quang Hung (HSBC) and Ms. Lai Minh Thuy (Citibank)**

BWG has had various correspondences/ discussions with SBV and relevant ministries such as the Ministry of Planning and Investment, but to date there is no consistent interpretation of “continuous” and “for profit making purpose”, plus the absence of clear regulations in the law, so banks cannot perform entrusted lending although Circular 30 does not prohibit this operation. BWG would like to seek SBV’s guidance for appropriate implementation.

Response from Ms. Hang & Ms. Ha- The Banking Supervision Agency

SBV also received comments from the stakeholders as BWG and businesses on the use of entrustment services for idle capital. However, SBV also had difficulties because these two concepts are based on the Enterprise Law, and thus the interpretation rests with the National Assembly Standing Committee, currently SBV is not in a position to give specific guidance.

Banks and customers in their role as a trustee and the trustor should determine based on legal grounds or the bilateral commitment.

The Department acknowledges this request of the Banking Working Group and will consult SBV’s Management for further instructions.

The Banking Supervision Agency, International Cooperation Department**6. FATCA****Mr. Pham Quang Hung - Head of Legal and Compliance Sub-committee - BWG, Director of Legal and Compliance, HSBC**

IGA agreement was signed and the members of BWG respectfully request SBV to allow banks to submit report in soft-copy rather than in paper form.

Response from Mr. Pham Gia Bao - Deputy Director, BSA

IGA agreement was signed on April 01, 2016 but its effectiveness is still pending for official diplomatic authentication between the two countries.

Under the agreement, reporting model will follow model 1: the organizations cannot directly send FATCA reports through FI agreement but must submit to the SBV for forwarding to IRS.

Means of reporting: Banks in Vietnam have difficulties creating xml files, or creating and customizing their systems to extract reports following form 8966. The requirement to submit electronic/ soft copy reports and paper-based reports is for back-up purpose in case where the banks fail to submit electronic/ soft copy reports on time, at least paper-based reports are available. This way Vietnam shall not violate reporting obligations.

Under the agreement, the reporting period is once a year. IGA agreement effectiveness may fall in the next reporting period (probably in September 2017).

Regarding the June 2016 reporting period, banks must submit reports in both electronic/soft - copy and paper based forms, if only electronic/ soft-copy files are sent, SBV will have difficulty synchronizing data to send to the IRS.

BSA plans to submit the Governor a proposal on *registration of Identification (ID) Code and purchase of the CA digital certificate* for SBV to be able to resolve this issue in the next reporting period.

If banks do not have the data, they must still report that the regulated form is not followed.

7. Anti-money laundering

Identification of customers which are affiliates or foreign joint venture of the corporations using the service or opening an account at Vietnamese banks.

Identification/ Know-your-customer (KYC) procedures are still required for these customers in accordance with item b, Clause 1, Article 9 of the Law on Anti-Money Laundering. However, due to availability of information on the corporation or associated companies, these customers are classified as low risk profiles according to Clause 2, Article 12 of the Law on Anti-Money Laundering.

Monetary Policies Department

8. Circular 15/2015/TT-NHNN on foreign exchange management

- **Converting Currency 1 to Currency 2 and supporting documents for overseas money transfers**

BWG representatives - Mr. Pham Quang Hung (HSBC), Ms. Chu Hong Van (ANZ) and Ms. Lai Minh Thuy (Citibank)

Corporate customers: When the bank's customers have revenues in foreign currency 2, but at the time money arrives, they do not have such foreign currency (Currency 2) account and only have a USD (Currency 1) account. The customer would like to convert the incoming fund in foreign currency 2 to USD and credit into their account in foreign currency 1 for further use in future payments, BWG would like to seek SBV's guidance on this issue.

Retail customers who have no regular income but just passive incoming fund in other currencies. BWG would like to propose that in this case, SBV will allow customers to convert foreign currency without presenting supporting documents nor opening an additional foreign currency account for the purpose of facilitation.

Response from Mr. Hoang Thien Hai, Deputy Head of Market and Exchange Rates, Department of Monetary Policy

As stipulated in Circular 15/2015/TT-NHNN, customers must present supporting documents when conducting foreign currency transactions with authorized banks, including the purchase of foreign currency in another currency (currency conversion). Requirements for presenting and verifying these documents have also been specified in the Ordinance on Foreign Exchange and Decree No. 70/2014 / ND-CP guiding the Foreign Exchange Ordinance. The Monetary Policy Department will take into account BWG's comments on retail customers' money transfer in amending the regulations.

Response from Mr. An, Deputy Director, International Cooperation Department

If banks deem this a significant problem, they should gather the relevant statistics and evidence via BWG and send the proposal to SBV for consideration.

- **Collection of the original copy of foreign exchange transactions confirmation via email/fax**

BWG representatives - Ms. Chu Hong Van, Ms. Nguyen Thi Bich Ha (ANZ) and Ms. Lai Minh Thuy (Citibank)

The transaction is done right from the time of signing, the original copy only serves as confirmation purpose. BWG would like to seek SBV's guidance in this case.

Response from Mr. Hoang Thien Hai, Deputy Head of Market and Exchange Rates, Department of Monetary Policy

Circular 15 regulates that the two parties must exchange the original (printed) document signed by the authorized person within 05 (five) working days from the date of the transaction if confirmation had been sent by fax. Foreign currency transactions carried out by electronic means must comply with the provisions of the Law on electronic transactions and other relevant regulations. The Monetary Policy Department will take into account BWG's comments for further study

- **Use of swap contracts to fix pre-signed forward contracts (pre delivery / contracts extension)**

BWG representatives - Ms. Chu Hong Van, Ms. Nguyen Thi Bich Ha (ANZ) and Ms. Lai Minh Thuy (Citibank)

Banks and customers enter forward transactions, when the customer wants to extend the transaction, the bank must use professional techniques such as: use other swap transactions / delay prepayment / cancel transaction. In this process, banks have trouble in terms of supporting documents for new deals, prices (record profit / loss for the customer) and connect reference number of 2 transactions on the bank's internal systems. BWG suggested that the central bank provide more specific guidance on this matter.

Response from Mr. Hoang Thien Hai, Deputy Head of Market and Exchange Rates, Department of Monetary Policy

As stipulated in Circular 15/2015/TT-NHNN, customers must present supporting documents when conducting foreign currency transactions with the authorized banks/credit institutions, (including the purchase of foreign currency in swap transaction).-Regarding the advantages of using swap transactions to modify forward contract raised by BWG, the Monetary Policy Department will take into account and further study this content.

Response from Mr. An, Deputy Director, International Cooperation Department

SBV would like to suggest that BWG synthesize information and advise SBV on this issue. SBV will consider and incorporate the comments for appropriate adjustment

BWG will send an official letter on the current practices asking for SBV's opinion and instruction to the banks.

▪ Buy foreign currency to repay offshore loans**BWG representative – Ms. Pham Thi Quynh Hoa (JP Morgan)**

Customers borrow in JPY but the account for foreign borrowing and repayment in USD. Customers buy JPY to repay loans and present whole supporting documents of the loan in JPY such as contracts, withdrawal, etc.. Banks can sell USD / VND and credit into customers' account for borrowing & repayment of foreign loans in USD, then enter JPY / USD swap transaction so that customers can repay loans in JPY with 1 set of JPY loan documents to be used for both USD / VND transaction and JPY / USD swap transaction. Provisions on account of foreign borrowing and repayment in Circular 03/2016 allow conversion into other currencies to pay foreign debts when the repayment currency is not the loan currency.

Response from Mr. Hoang Thien Hai, Deputy Head of Market and Exchange Rates, Department of Monetary Policy

Circular 15 requires customers to present documents with complete information (purpose, amount, type of foreign currency, term of payment, remittance) in accordance with current regulations on foreign exchange management when conducting foreign currency transactions with authorized banks. Thus, purchases of foreign currency to repay foreign loans by customers must comply with the provisions of Circular 15 and the relevant regulations on foreign exchange management for borrowing and repayment of foreign loans. When entering swaps with authorized banks, customers need to present documents under the provisions of Circular 15.

Foreign Exchange Management Department**▪ Dossiers for banking licenses extension under Circular 21****Response from Mr. Nguyen Ngoc Minh - Deputy Director of Foreign Exchange Management Department**

The Department is taking the lead in coordination with related units to revise Circular 21. SBV plans to issue the Circular revising circular 21 in June 2016.

The draft circular amending Circular 21 is being prepared towards simplification and streamlined administrative procedures for the credit institutions, while ensuring management requirements and relevance with the actual implementation of credit institutions and foreign bank branches, specifically as follows:

- Classify foreign exchange operations into 2 types, namely basic foreign exchange operations and other foreign exchange operations: (i) Credit institutions may perform all basic foreign exchange operations permitted by SBV within the scope of the Circular – via the SBV's license/ revising or supplementing decisions; (ii) SBV shall approve other foreign exchange operations on a case-by-case basis.
- Simplify some provisions on conditions and dossiers for the approval of foreign exchange operations such as: Remove conditions on personnel profiles; condition on risk management dossier for each operation had been modified to general regulation on risk management for the entire foreign exchange operations (rather than each foreign exchange operations).

- Introduce changes in foreign exchange regulations in the direction of facilitating credit institutions to conduct their foreign exchange operations as approved by SBV and in compliance with the local laws and regulations.
- **Circular 05/2016/TT-NHNN amending and supplementing Circular No. 03/2016 / TT-NHNN - Method of reporting on borrowing and repayment of offshore loans in form of imported goods of deferred payment:**

Response from Ms. Van, representative of the Foreign Exchange Management Department

The Foreign Exchange Management Department has sent the guidelines on borrowing and repayment of foreign debt in the form of imports goods of deferred payment to the Forecast and Statistics Department to guide the implementation of Circular 35/2015/TT-NHNN on statistical reporting regime applicable to credit institutions and foreign bank branches (Circular 35 will take effect from January 1st, 2017).

Meanwhile until Circular 35 takes effect, credit institutions will continue to report in accordance with Circular 31/2013/TT-NHNN regulating Statistical Report applicable to SBV's subordinate units, credit units, and foreign bank branches. The Foreign Exchange Management Department will provide instructions on how to report, record loans in the form of deferred payment of imports under Circular 31 in writing after this meeting.

As agreed with the credit units, and foreign bank branches when drafting Circular 05/2016/TT-NHNN, credit units, and foreign bank branches committed efforts to improve internal processes for report the repayment of foreign loans in the form of deferred payment of imports to meet SBV's requirements and this work may take 3-6 months. Therefore, the Foreign Exchange Management Department agrees that inspection of reporting regime of credit institutions and foreign bank branches on their borrowing and repayment of foreign loans (including loans in the form of deferred payment of imports) will be conducted after January 1st, 2017 when Circular 35 takes effect. (The guidelines for documenting foreign loans in the form of deferred payment of imports is in the attached Appendix)

- **The Bank's role in the energy hedging of local companies with overseas financial institutions**

Mr. Pham Quang Hung - Head of Legal and Compliance Sub-committee - BWG, Director of Legal and Compliance, HSBC

One of a bank's customers, a company enters an energy hedging contract with foreign partners and makes the payment/money transfer via the bank. There are currently no guidelines on the transfer / payment for these activities.

Response from Mr. Nguyen Ngoc Minh - Deputy Director of Foreign Exchange Management Department

The current legal provisions on trade have no specific guidelines for Vietnamese enterprises entering commodity price derivatives with foreign financial institutions. At the same time the current regulations on foreign exchange management do not cover money transfer for commodity price hedging operations between residents and nonresidents. Therefore, there is no legal basis for enterprises to transfer money abroad to pay for the commodity price operation derivative with foreign partners.

- To ensure strict management of commodity price derivative operations (high risk), Vietnam businesses wishing to have hedging for imported goods need to conduct the operation through commercial banks allowed by SBV to implement commodity price hedging operations on a pilot basis

- The Foreign Exchange Management Department is consulting the Legal Department on the rationale for banks to perform this operation.

IT Department

9. Circular 31/2015/TT-NHNN on information system security in banking operations

- **Perform domestic data back-up if the bank's database is located in other countries.**

Response from Mr. Tien, Head of Division, IT Department

If the bank's core system is located abroad, the bank must back up all data related to transactions in Vietnam for safety reason and inspection purpose by competent authorities of Vietnam when necessary. Data can be obtained directly from transaction systems or through the reporting system. However it should be assured that full data on electronic transactions are in place.

- **Digital signature**

Response from Mr. Tien, Head of Division, IT Department

Circular 31 provides that a transaction must be validated using strong authentication (biometric, digital signatures). "Strong authentication" here means that the technology solution for authentication must meet international standards for authentication (for example: Length of password, encryption algorithm, validation process, etc.).

- **Article 30.4 of Circular 31**

BWG representative

Usually the foreign bank branch or 100% foreign-owned banks will receive support of the technical department of the branch / bank and the whole group. BWG understands that such technical assistance is not considered as the 3rd party support and is still considered as internal service within the bank. BWG seeks SBV's guidance on the above interpretation.

Response from Mr. Tien, Head of Division, IT Department

The above understanding is correct. Third parties are understood as organizations / individuals service providers outside the bank.

- **Article 46.2b**

Response from Mr. Tien, Head of Division, IT Department

SBV's requirements on reporting to SBV 5 days prior to upgrading system apply only to major upgrades. Major upgrades entail substantial risks, which may disrupt service delivery to customers in Vietnam for a long time (01 days or more).

- **Article 31, 32, 33**

Response from Mr. Tien, Head of Division, IT Department

If foreign banks use their group's internal services which are, their turn, commissioned to a 3rd party, they do not need to meet this requirement if they are located overseas, but if the third party is based in Vietnam, they will need to.

LIST OF PARTICIPANTS

No.	Name	Title	Organization
BANKING WORKING GROUP			
1	Mr. Pham Quang Hung	Director of Legal and Compliance Head of Legal and Compliance Sub-Committee - BWG	HSBC
2	Ms. Lai Minh Thuy	Director of Legal and Compliance	Citibank
3	Ms. Nguyen Thanh Thuy	Legal and Compliance officer	Citibank
4	Mr. Pham Quang Nghia	Legal and Compliance officer	Citibank
5	Ms. Le Thi Thuy Ha	Legal and Compliance officer	Citibank
6	Ms. Ngo Lan Anh	Director of Legal and Compliance	Standard Chartered Bank
7	Ms. Chu Hong Van	Director of Legal and Compliance	
8	Ms. Nguyen Thi Bich Ha	Legal and Compliance officer	ANZ
9	Ms. Nguyen Thi Hang Nga	Director of Legal and Compliance	SMBC
10	Ms. Vu Thuy Quynh	Director of Hanoi branch	Hongleong bank - Hanoi branch
11	Ms. Tran Thi My Trinh	Director of Legal and Compliance	BTMU - Hanoi branch
12	Ms. Khuat Thu Quyen	Legal and Compliance officer	BTMU - Hanoi branch
13	Ms. Phan Thi Hong Thuy	Officials of Legal and Compliance officer	BTMU - Hanoi branch
14	Ms. Le Thu Hien	Legal and Compliance officer	CTBC
15	Mr. Bui Nhat Dan	Director of Legal and Compliance	BNP Paribas
16	Ms. Dang Linh Chi	Legal and Compliance officer	J.P.Morgan Chase - HCM Branch
17	Ms. Pham Thi Quynh Hoa	Director of Legal and Compliance	J.P.Morgan Chase - HCM Branch
21	Mr. Pham Nguyen Nam	Legal and Compliance officer	Mizuho - Hanoi branch
23	Mr. Nguyen Hai Minh	IT officer	SMBC - Hanoi branch
24	Ms. Hoang Thuy Linh		VBF Secretariat
25	Ms. Nguyen Ngoc Anh		VBF Secretariat
STATE BANK OF VIETNAM			
1	Mr Nguyen Ngoc Minh	Deputy Director	Foreign Exchange Management Department
2	Ms. Van	Expert	Foreign Exchange Management Department
3	Mr. Ha Hai An	Deputy Director	International

No.	Name	Title	Organization
			Cooperation Department
4	Ms. Pham Thuy Duong	Expert	International Cooperation Department
5	Mr. Hoang Thien Hai	Deputy Head of Division	Department of Monetary Policies
6	Mr. Pham Gia Bao	Deputy Director	The Banking Supervision Agency
7	Mr. Hung	Deputy Director	Department IV - the Banking Supervision Agency
8	Mr. Tiem	Office	The Banking Supervision Agency
9	Ms. Huong	Duty Head of Division	Legal Department
10	Mr. Le Anh Tuan	Head of R & D & Marketing Department Division	Credit Information Center
11	Ms. Hang	Department V	The Banking Supervision Agency
12	Ms. Ha	Department V	The Banking Supervision Agency
13	Mr. Tien	Head of Division	IT Department
14	Mr. Dung	Deputy Director	IT Department