

SPEECH OF BANKING WORKING GROUP

*Presented by
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Your Excellencies Prime Minister Nguyen Xuan Phuc and Ministry Leaders

Distinguished guests,

On behalf of the foreign bank members of the Banking Working Group, allow me to express our sincere thanks to the Government, Ministries and the State Bank of Vietnam, the BWG and other development partners for hosting this important forum for policy dialogue between the Government and the private sector.

We congratulate the Government and the SBV on yet another year of impressive economic growth, with inflation remaining well-controlled, and foreign exchange reserves at the highest level in years and increasing. The Government's effective management of the economy has been recognized by the international markets, most recently with the upgrade of Vietnam's sovereign credit rating by Fitch Ratings in May.

On the macro level, Vietnam is expected to continue to have strong economic growth, underpinned by manufacturing activity, particularly in electronics. Foreign direct investment is expected to remain robust in 2018.

The theme for this session and for Banking Working Group at today's VBF is Financing sustainable growth and Delivering credit and good financial services to all who need them. This would be effectively achievable if the Government and SBV continue to adopt the policy of sectorial allocation of credit growth, while allocating credit growth based on the strengths and capabilities of each institution, including Capital Adequacy Ratios, rather than a sector-wide cap. This will ensure that sufficient credit is available to priority sectors and is provided to all good enterprises who need it, while simultaneously controlling provision of credit to high risk sectors.

We are also supportive of the Government and SBV's continued focus on the recapitalization and consolidation of the financial sector, leading to fewer, stronger banks.

We applaud the Government's continued attention to the digitization of the Vietnamese economy and recommend that the Government adopt a proactive, holistic approach to building a legal framework to support the development of the digital economy, including leveraging the forthcoming national biometric id system. The BWG stands ready to support the SBV and the Government in this regard.

The BWG highly appreciates the positive cooperation of the SBV in resolving many technical issues during the year through frequent and close dialogues. Out of 23 identified issues, 7 issues belong to other state bodies and the remaining issues are either resolved or have plan to resolve by the SBV.

There are four critical and long-pending issues that involve multiple ministries. In today's VBF, we ask for the Government's support to drive coordination between ministries for swift resolution.

The first is the requirement of a wet signature, the Chief Accountant's signature and wordings in accounting vouchers. These are stipulated by Accounting Regulations and heavily impact the

Host-to-Host and E-Portal solutions between customers and banks. We recommend the Ministry of Finance to review this to support the development of digitization in the economy.

The second is the harmonization of Banking regulations with other Laws. We understand that Banking regulations are issued based on principal laws such as the Civil code. This causes the difficult implementation of opening accounts for entities who are not legal persons. We recommend the Ministry of Justice to review and issue guidance for this matter in accordance with provisions of the Civil code and for the SBV to amend Circular 32.

The third is the amendment of close-out netting provisions of the Bankruptcy Law to accommodate Vietnam in becoming a netting jurisdiction for financial transactions. This will help to reduce capital costs, enhance risk management and fuel the Government's direction in developing the Vietnam derivatives market. We seek support from the Government to instruct relevant state bodies to promptly work on this and the BWG is willing to share international practices and support if needed.

Lastly is pending issue that have been raised since the last VBF which is the solution for cash pooling to enable the management of working capital and liquidity solutions for the FDI. The BWG has conducted 2 workshops with the SBV and we recommend that the government assign relevant state bodies to issue necessary regimes to allow these solutions.

Conclusion

BWG is committed to supporting the Government in building a stronger banking sector in Vietnam. We believe acting on the issues raised above will go a long way towards strengthening the banking sector. This will in turn encourage additional foreign investment into the country as well as benefitting Vietnamese companies and the Vietnamese people.

BWG members would like to wish His Excellency the Prime Minister, Ministry Leaders, the Deputy Governor, good health and continued success.