

THE PRIME MINISTER

No. 254/QĐ-TTg

SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

Hanoi, March 01st 2012

DECISION

APPROVING THE PROJECT ON “RESTRUCTURING THE SYSTEM OF CREDIT INSTITUTIONS DURING 2011 – 2015”

THE PRIME MINISTER

Pursuant to the Law on Government organization dated December 25th 2001

Pursuant to the Law on the State bank dated June 16th 2010;

Pursuant to the Law on credit institutions dated June 16th 2010;

Pursuant to the Conclusion No. 10-KL/TW dated October 18th 2011 of the 3rd Convention of the 11th Central Steering Committee about the economy, the society, the State budget and finance during 2006 – 2010 and in 2011; the plan for developing the society, the State budget and finance during 2011 – 2015 and in 2012;

Pursuant to the Government’s Resolution No. 01/NQ-CP dated January 03rd 2012 on primary solutions for implementing the plan for socio-economic development and State budget estimate in 2012;

At the request of the Governor of the State bank of Vietnam,

DECIDES:

Article 1. Approving the Project on “Restructuring the system of credit institutions during 2011 – 2015”.

Article 2. Implementation organization

1. The State bank of Vietnam shall:

- a) Cooperate with relevant Ministries, organizations, and People’s Committees of central-affiliated cities and provinces (hereinafter referred to as provincial People’s Committees) in executing the Project;
- b) Assess the operation and determine the quality of assets and bad debts of credit institutions;
- c) Cooperate with relevant Ministries and organizations in formulating and submitting the project “Strategy for banking development by 2020” and the project “Dollarization prevention” to the Prime Minister;
- d) Cooperate with relevant Ministries and organizations in formulating Decisions on the capital contribution to and purchase of shares of the State bank of Vietnam made by credit institutions as prescribed in Clause 3 Article 149 of the Law on credit institutions, and submit them to the Prime Minister for issuance before July 01st 2012;
- dd) Provide instructions and supervise the credit institutions formulating and implementing the plans for restructuring according to the solutions in the Project enclosed with this Decision;
- e) Enhance the state management, inspection, and supervision of the money market and the operation of credit institutions;
- g) Cooperate with the Ministry of Information and Communications, other organizations, provincial People’s Committees, communication agencies in providing information and propagate the policies on money, banking, and restructuring of credit institutions in order to relieve anxiety, achieve social consensus, and avoid negative impacts on the banking system and financial market;

h) Instruct and assists relevant Ministries and organizations in implementing the Projects; make and send periodic reports to the Prime Minister before July 01st and December 31st on the progress, result, difficulties, and suggested solutions; promptly report the difficulties beyond authority to the Prime Minister.

2. The Ministry of Finance shall:

d) Cooperate with the State bank of Vietnam in promulgating and submitting the plan for settling bad debts of credit institutions and increasing charter capital of commercial bank by 2015 to the Prime Minister;

b) Cooperate with the State bank of Vietnam in formulating the policies and regulations on the exemption and reduction of tax and fees related to the sale of bad debts and collateral of restructured credit institutions, the reduction and exemption of enterprise income tax applicable to credit institutions after merger, amalgamation, and acquisition; the reduction and exemption of tax and fee applicable to people's credit funds and microfinance institutions.

3. Relevant Ministries, organizations, and local governments shall:

a) Implement the Project within the scope of their functions and tasks as prescribed by law;

b) The Ministry of Information and Communications, relevant Ministries, organizations, and provincial People's Committees shall tightly cooperate with the State bank of Vietnam in providing information and propagating the policies on money, banking, and restructuring of credit institutions.

c) The Ministry of Public Security, relevant Ministries, organizations, and provincial People's Committees shall tightly cooperate with the State bank of Vietnam in discovering and handling the violations against the law on money and banking;

d) Assist credit institutions in completing legal dossiers on collateral so that credit institutions are able to sell and recoup their capital as soon as possible;

dd) State-owned general companies and corporations that own credit institutions are responsible for the restructuring and handle the consequences related to credit institutions, and plan an itinerary to withdraw capital from credit institutions.

4. Credit institutions shall:

a) Formulate and implement the plan for restructuring.

b) Ensure the stable operation, the safety of state-owned assets and lawful interests of citizens during the restructuring;

c) Strictly abide by the laws and the instructions of the Government and the State bank of Vietnam in restructuring credit institutions;

d) Send accurate and thorough reports to the State bank of Vietnam on the difficulties and suggest solutions for restructuring credit institutions.

Article 3. This Decision takes effect from the day on which it is signed.

Article 4. The Governor of the State bank of Vietnam, Ministers, Heads of ministerial-level agencies, Heads of Governmental agencies, the President of the provincial People's Committee, the Presidents of the Boards of Directors and General Directors of credit institutions are responsible for the implementation of this Decision./.

THE PRIME MINISTER

Nguyen Tan Dung

PROJECT

RESTRUCTURING THE SYSTEM OF CREDIT INSTITUTIONS DURING 2011- 2015 [1]
(Enclosed with the Prime Minister's Decision No. 254/QĐ-TTg March 01st 2012)

A. TARGETS AND VIEWPOINTS ON CREDIT INSTITUTION SYSTEM RESTRUCTURING

I. TARGETS OF CREDIT INSTITUTION SYSTEM RESTRUCTURING

Fundamentally, thoroughly, and comprehensively restructure the credit institution system in order to develop a versatile, modern, safe, efficient, and sustainable system of credit institutions by 2020 with diverse forms of ownership, scales, types, and greater competitiveness based on advanced banking management technologies that conformable with international standards of banking, for the purpose of better satisfying the demand for banking and financial services of the economy.

During 2011 – 2015: focus on achieving healthy financial conditions and increasing capability of credit institutions; improve the safety and efficiency of credit institutions; enhance the discipline and market principle in banking activities. Establish at least 1 – 2 commercial banks in the same league as regional banks by 2015.

II. VIEWPOINTS ON CREDIT INSTITUTION SYSTEM RESTRUCTURING

Firstly, restructure the system of credit institutions and each credit institution is a continuous process for the purpose of overcoming difficulties, eliminate weaknesses, and actively deal with challenges for credit institutions to keep developing safely, efficiently, sustainably, and satisfying the socio-economic development requirements.

Secondly, fortify and development the system of credit institutions with diverse forms of ownership, scales, and types that suit the characteristics and development of Vietnam's economy nowadays. A system of credit institutions including large and healthy banks are the backbone of the system that is able to compete in the region, together with medium and small banks, and non-banking credit institutions in order to better meet the needs for banking services of the society: enhance the role in controlling and orient the market of Vietnamese credit institutions; ensure that the 100% state-owned banks and the banks of which the preference shares are holed by the State (hereinafter referred to as state-owned commercial banks) are the flagship of the credit institution system, and capable of competing at home and internationally.

Thirdly, encourage the voluntary merger, amalgamation, and acquisition of credit institutions, ensure the interests of depositors, the economic rights and obligations of relevant parties as prescribed by law. To ensure the safety and stability of the system, credit institutions facing high risks shall be dealt with as prescribed by law.

Fourthly, the comprehensive restructuring of the finance, operation, and administration of credit institutions according to appropriate methods and itineraries. The methods and measures for restructuring credit institutions depend on their characteristics.

Fifthly, avoid collapse and banking activities that are not controlled by the State. The process of reorganizing, strengthening, and restructuring the credit institution system must minimize the damage and the State budget expenditures on resolving the issues of the credit institution system.

B. ORIENTATION AND SOLUTIONS FOR CREDIT INSTITUTION SYSTEM RESTRUCTURING

I. ORIENTATION AND SOLUTIONS FOR CRE RESTRUCTURING STATE-OWNED COMMERCIAL BANKS

1. Orientation:

Enhance the leading role of state-owned commercial banks; ensure that state-owned commercial banks are the flagship of the system of credit institutions with large scales, safe and efficient operation, well managed, and capable of competing at home and internationally. Establish 1 – 2 state-owned commercial

banks in the same leagues with regional banks in terms of scale, management, technologies, and competitiveness by 2015.

2. Solutions:

State-owned commercial banks play an important role in the process of restructuring the system of credit institutions, and must be comprehensive restructures by adopting the solutions in Clause 5 Section II of Part B, and the solutions below:

a) Keep enhancing the equitization of state-owned commercial banks; Agribank shall be equitized when appropriate, and the State shall hold the preference shares of equitized state-owned commercial banks.

b) Quickly expanding the scale and increasing financial capability by:

- Increasing capital to ensure the level of equity according to capital adequacy standards of Basel II by 2015 by issuing additional shares and capital from the Government;

- Acquiring and merging credit institutions;

- Expanding capital sources.

c) Improve the quality of assets, control the credit quality, and reduce bad debts. Focus on settling bad debts of state-owned commercial banks in order to clean their balance sheet as soon as possible; try to reduce the ratio of bad debt of state-owned commercial banks to below 3% according to debt classification standards and Vietnamese accounting standards.

d) Innovate the banking management system in conformity with advanced international standards and practice, enhance the modernization of risk management system, improve the efficiency of internal control and audit system for state-owned commercial banks to control the risk efficiently, in the short run the credit quality and solvency.

dd) Modernize the technological system of state-owned commercial banks in order to develop banking services and raise banking service quality, and simultaneously assist the efficient banking management.

e) Keep expanding the network of branches and transaction offices nationwide, especially in rural areas; open branches and get into domestic and regional financial market; develop electronic distribution systems to improve the access to services of clients.

g) Review and strength the primary lines of business of state-owned commercial banks, reduce the businesses that face risks or are not effective; thoroughly restructure the subsidiary companies of state-owned commercial banks; step by step withdraw capital from the non-financial industries or risky investments. Formulate new business strategies. Accordingly, state-owned commercial banks must be in the vanguard of investment in key industries of the economy such as development economic infrastructure, promoting export, agriculture, production, processing, and medium and small enterprises in order to contribute to restructuring the economy.

h) Diversify the methods of capital raise; control credit growth in conformity with the scale and period structure of capital sources; step by step reduce credit outstanding debt to 90% of raised capital by 2015.

i) Rapidly develop the quality of executives, and provide appropriate policies to attract, employ, and manage executives; enhance training in leadership, professional skills, raise the sense of responsibility and professional ethics of executives.

II. ORIENTATION AND SOLUTIONS FOR RESTRUCTURING VIETNAMESE JOINT-STOCK COMMERCIAL BANK, FINANCIAL COMPANIES, AND EASING COMPANIES

1. Orientation:

Reorganize and rearrange the Vietnamese joint-stock commercial banks, financial companies, and leasing companies (hereinafter referred to as credit institutions) in order to ensure the safe, healthy, efficient, and lawful operation, and maintain the sustainable development of the system of credit institutions. Credit institutions must compete healthily and run openly in accordance with the standards of administration and banking safety as prescribed by law. Credit institutions are enabled to healthily develop, and substandard

credit institutions shall be strictly dealt with. Control the scale and growth rate of credit institutions in order to suit their financial conditions and management capacity.

Based on the assessment of the financial conditions, operation, and management, especially the quality of assets, debts, equity, and safety of credit institutions, they shall be classified into 03 groups (healthy credit institutions, credit institutions that temporarily lack liquidity, and substandard credit institutions) to adopt appropriate solutions.

Credit institutions shall plan their restructuring based on their conditions, weaknesses, and the level of risk. The restructuring of substandard credit institutions include: (1) achieving healthy financial conditions; (2) restructuring the operation; (3) restructuring the management system; (4) restructuring the legal person and ownership.

2. Solutions for restructuring healthy credit institutions

- Credit institutions shall formulate and implement their own plans for restructuring and raising their competitiveness according to the solutions in Clause 5 Section II of Part B in order to rapidly develop the scale, operation, finance, reach a high level of management, and acquire advanced technologies.
- Encourage and facilitate the voluntary merger, amalgamation, and amalgamation of other credit institutions in order to expand the scale and increase the competitiveness.
- Expand the scale and range of operation; actively get into regional and international financial market.
- Participate in dealing with substandard credit institutions and the credit institutions that lack liquidity: give loans to supplement the liquidity of temporarily insolvent and substandard credit institutions; acquire substandard credit institutions.

3. Solutions for restructuring credit institutions that temporarily lack liquidity

- The State bank of Vietnam shall refinance the credit institution that temporarily lack liquidity in order to ensure the solvency of them so that they are able to return to normal operation.
- Credit institutions shall formulate and implement their own plan on solvency restoration; credit institutions must restrict credit growth, raise capital to repay the State bank and improve the solvency.
- The State bank of Vietnam shall strictly supervise the financial conditions and operation of the refinanced credit institutions.
- Credit institutions must reorganize and strengthen their finance, operation, and management according to the solutions in Clause 5 Section II of Part B in order to ensure the safety and business efficiency, including settling bad debts, improve solvency, reduce debt ratio and capital ratio.
- Encourage and facilitate the amalgamation or merger of the credit institutions in this group, and the amalgamation or merger with healthy credit institutions.
- The State bank of Vietnam shall adopt the following solutions depending on the nature and level of risks:
 - + Restrict credit institutions from expanding their scale.
 - + Compel credit institutions to apply one or some higher adequacy ratios than the general level.

4. Solutions for restructuring substandard credit institutions

- Ensure the solvency of substandard credit institutions.

Focus on supplement the liquidity to ensure the solvency of substandard credit institutions by taking the following measures:

- + The State bank of Vietnam shall refinance the credit institutions that lack liquidity in proportion to the charter capital of the refinanced credit institutions.
- + The management, finance, and operation of substandard credit institutions are under the strict supervision of the State bank of Vietnam.

- + Healthy state-owned commercial banks and joint-stock commercial banks that purchase debts of the credit institutions that lack liquidity to pay due debts.
- + Put credit institutions under special control where necessary.
- + Restrict credit institutions from distributing dividends and profit, strictly control the transfer of shares, contributed capital, and assets of credit institutions; reduce outstanding credit debt and limit the scale expansion.
- + Suspend or dismiss managers and executives of credit institutions.
- + The State bank of Vietnam and other credit institutions shall give special loans to substandard credit institutions as prescribed by law.
- Merger, amalgamation, and acquisition of substandard credit institutions

After taking measures for ensuring the solvency, substandard credit institutions shall be dealt with as follows:

- + Substandard credit institutions shall be merged, amalgamated, or acquired on a voluntary manner. If such process is not voluntary, the State bank of Vietnam shall take measures to compel the merger, amalgamation, or acquisition of substandard credit institutions.
- + The State bank of Vietnam shall compel substandard credit institutions to transfer charter capital or share capital; major shareholders of substandard credit institutions must transfer their shares.
- + The State bank of Vietnam shall directly purchase charter capital or share capital from a substandard credit institution to reorganize, strengthen and make it healthy, then merge or amalgamate it into another credit institution or resell it to eligible investors.
- + Consider permitting foreign credit institutions to acquire Vietnamese substandard credit institutions, and raise the limits on the shares of restructured joint-stock commercial banks held by foreign credit institutions.

5. Restructuring the finance, operation, and management of credit institutions:

Substandard credit institutions and other credit institutions must take one or all measures below to achieve a healthy financial conditions, restructuring the operation and management system.

a) Financial restructuring:

- Bad debts shall be settled by the following measures;
 - + Reassessing the quality of assets, the possibility to recover bad debts, and value of bad debts.
 - + Sell secured bad debts to Debt and Asset Trading Corporation (DATC) of the Ministry of Finance.
 - + Sell bad debts to enterprises that are not credit institutions, private debt trading companies, and debt trading companies of commercial banks;
 - + Write off debts from loan loss reserve; use collateral to recover debts;
 - + Convert debts into capital contribution and shares;
 - + Unsecured bad debts without collateral, and irrecoverable loans given under the decisions of policies of the Government shall be written off by the Government by the State budget;
 - + The unfinished and finished constructions and real estate put up as collateral that are not sold shall be purchased by the Government to serve social security and other activities of the State.
- Expand the scale and increase the equity of credit institutions: ensure that the equity does not fall below the level prescribed by law, and satisfy the minimum adequacy ratio by:
 - + Increasing charter capital: (i) Issue additional shares, increase capital contribution from shareholders, capital contributors, Vietnamese investors and foreign investors; (ii) Convert debts into capital contributions and shares of restructured credit institutions;

+ The equity of credit institutions must be sufficient to cover credit risk, market risk, and operational risk according to Basel II by 2015.

b) Restructuring the operation:

Together with cleaning and restructuring the Balance sheets towards healthiness, credit institutions must reorganize their operation:

- Focus on strengthening and developing primary activities, eliminate risky and inefficient lines of business.
- Focus bank credit on the 03 strategic industries in the socio-economic development strategy 2011 – 2020, and prioritize credit capital for production, agriculture and rural development, export, ancillary industries, medium and small enterprises.
- Step by step shift the business model of commercial banks towards reducing the dependence on credit services and increasing income from non-credit services.
- Diversify banking services, focus on enhancing the quality of traditional banking services and rapid development of modern banking services (payment services, foreign exchange, investment, asset management, risk management, etc.).
- Rapidly development payment services safely and effectively, especially payment card services on the basis of boosting the modernization of the payment system, payment technologies, and improve the utilities of payment cards.
- Expand the scale of banking operation in rural areas; develop the network of branches and transaction offices in rural areas and remote areas; shut down inefficient branches and transaction offices;
- Improve the stability and sustainability of solvency of credit institutions: improve the stability of capital sources by increasing the proportion of long-term sources; improve the balance and rationality of terms and money between capital sources and capital use; step by step reduce the ratio of debt to raise capital; the average level of the whole system does not exceed 85% by the end of 2015.

c) Restructuring the management system

Strengthen and innovate the banking management system to suit international standards and international practice by taking the following measures:

- Enhancing the transparency of banking activities via the application of new mechanism for information provision of credit institutions.
- Listing shares of joint-stock commercial banks on the securities market.
- Increase the popularity of joint-stock commercial banks and the amount of investors and shareholders after the increases of their charter capital.
- State-owned corporations being shareholders or capital contributors of credit institutions must have proper plans for withdrawing capital and terminating banking business.
- Restrict the control and influence of major shareholders on joint-stock commercial banks; strictly dealt with the shareholders and involved persons that violate the regulations on the limits on ownership of shares of joint-stock commercial bank and the credit institutions that hold capital of one another. Shareholders, investors and credit institutions that violate the regulations on capital contribution, capital purchase and capital ownership shall be dealt with as prescribed by law. Where a credit institution repurchase shares and capital contribution of a restructured credit institution and exceed the limits due to the direction of the State bank of Vietnam, is shall be dealt with within 05 years.
- Raise the conditions and standards of management capacity, experience, and proficiency applicable to the managerial positions of credit institutions (the President of the Board of Directors/the Member assembly, Director, members of the Board of Directors/the Member assembly, etc.).
- Formulate new business strategies.

- Deploy healthy internal business processes and policies; efficiently apply management methods conformable with international practice and law.
- Develop risk management systems in accordance with the principles and standards of Basel, focus on liquidity risk management system, credit risk management system, market risk management system (prices, interest rates, exchange rates) and operational risks; develop internal credit rating systems; classify debts, make loan loss reserve conformable with international practice and level of credit risk; raise the capability of credit assessment and credit risk management of credit institutions.
- Innovate and improve the efficiency of the internal audit and control system.
- Restructuring and reorganizing the managerial and sale departments; employ accomplished personnel with good sense of responsibility and professional ethics.
- Modernize the technological system; develop the internal management information system, information technology infrastructure, and internal payment system of commercial banks; upgrade the core banking system to suit the scale, the complication, and the management requirements of credit institutions.
- The financial companies and leasing companies that suffer prolonged loss, face risk, or violate the regulation of banking safety, or unable to recover the normal operation after taking measures for recovery or reorganization shall be compulsorily dissolved, acquired, or merged as prescribed by law.
- + Owners of the financial companies and leasing companies affiliated to state-owned corporations and non-banking enterprises are responsible for the restructuring, including the dissolution and revocation of their Licenses according to the plans approved by the State bank of Vietnam.
- + The financial companies and leasing companies affiliated to commercial banks must be restructured together with such banks, including the dissolution and merger (where necessary) in order to ensure the safe and efficient development of the such banks.

III. ORIENTATION AND SOLUTIONS FOR STRENGTHENING AND DEVELOPING PEOPLE'S CREDIT FUNDS AND MICROFINANCE INSTITUTIONS

1. Orientation:

- Keep completing 2-class people's credit funds together with enhancing the regulation of safe operation, and facilitate the development of people's credit funds. Strengthen, reorganize, improve the safety and efficiency of existing people's credit funds, together with sustainably expand new people's credit funds in rural areas; ensure that people's credit funds are conformable with the Law on credit institutions and the Law on Cooperatives; respect the voluntarism, autonomy, mutual benefits, cooperation, and public development towards interdependence among members of people's credit funds in order to eliminate poverty, development agriculture, and prevent loan sharks.
- Establish and development a safe and sustainable microfinance system towards serving the poor, low earners, extra-small enterprises, small enterprises, and take a part in the implementation of the policies on social security and sustainable poverty reduction of the State.

2. Solutions:

a) For the Central people's credit fund:

- Run the Central people's credit fund according to the cooperative banking model. Develop the scale, financial capacity, management, and technology of the Central people's credit fund sufficient to assume the leading role in regulating and balancing capital in the system of people's credit funds, and be able to support local people's credit funds in professional operation, capital, and finance.
- Keep opening branches of the Central people's credit fund in the areas with plenty of local people's credit funds in order to facilitate the support for local people's credit funds.
- Improving and completing the capital regulation model in the system of people's credit funds.
- The Central people's credit fund focus on giving loans to local people's credit funds.

b) For local people's credit funds:

- Consider restructuring local people's credit funds according to the model of public people's credit funds and vocational people's credit funds in order to improve the connectivity, autonomy, and conformity with law.
- Keep development the scale, quality, and efficiency of the local people's credit funds that are running normally, especially the credit quality, management capacity, liquidity safety, and conformity with law.
- Take the following measures for reorganizing and improving the substandard people's credit funds:
 - + The State bank of Vietnam, Central people's credit fund, and Loan system safety funds shall give loans to local people's credit funds for resolving difficulties in liquidity;
 - + Settle bad debts;
 - + Eliminate the weaknesses and violations against law;
 - + The local people's credit funds that suffer from prolonged loss, are insolvent, or are not able to ensure the safe and efficient operation after being reorganized shall have their licenses revoked, be dissolved, and have their assets liquidated; the depositors shall be paid by Vietnam Deposit Insurance as prescribed by law.
- Develop the banking services of local people's credit funds in conformity with their management capacity. Concentrate on giving loans to members of local people's credit funds and the poor. Credit expansion must be accompanied by enhancement of credit quality control Diversify the methods of raising capital of local people's credit funds, especially small deposits.
- Step by step raise the financial capacity of local people's credit funds by increasing charter capital, attracting new members based on the connection between capital expansion and giving loans to members.
- Raise the management capacity of local people's credit funds, especially the internal control system; standardize the professional processes and accounting. Ensure that the executives of local people's credit funds are qualified as prescribed by law. Restrict the control over charter capital and operation of local people's credit funds by a minority of members.
- The State bank of Vietnam shall cooperate with local governments in: (i) intensifying the inspection and supervision of local people's credit funds, eliminating weaknesses of local people's credit funds, especially during the liquidation of dissolved local people's credit funds; (ii) opening local people's credit funds in areas in need on the basis of safety and efficiency, prioritizing the establishment of people's credit funds in the area without or having few local people's credit funds; (iii) intensifying the propagation of policies and laws on people's credit funds; (iv) encouraging people from all social strata to participate in the development of people's credit fund system and to make deposits at people's credit funds.
- Improve the connectivity and interdependence among people's credit funds based on uniform targets, principles, and benefits. Complete the organizational and operational model of connected organizations. Review and assess the experimental run of system safety funds in some localities to complete the model of system safety funds. The capital of system safety funds is primarily contributed by people's credit funds. Expand the scale of system safety funds to assist in resolving temporary difficulties in liquidity and finance of local people's credit funds.
- Establish agencies that control people's credit funds.
- People's credit funds shall run within the localities where they are situated.
- Step by step upgrade and complete the equipment and information technology system of local people's credit funds. Ensure that all people's credit funds have internet access and faxes/
- Focus on improving the proficiency of officers of local people's credit funds. Develop a training program by 2015 for officers of local people's credit funds.
- The State shall provide incentive policies for people's credit funds, such as reduction and exemption of enterprise income tax; providing capital from the State budget, foreign loans or foreign aid; provide premises. The State bank of Vietnam shall cooperate with other Ministries, agencies, and local

governments in mobilizing resources from Vietnamese and foreign organizations and individuals to support people's credit funds.

- Review and complete the policies and regulations on safe operation, management, issuance and revocation of licenses, dissolution, and liquidation of people's credit funds. Amend the regulation on minimum charter capital to be in tough with the reality and ensure the safety of local people's credit funds.

- Assess 10 years of implementation of the Directive No. 57/CT-TW dated October 10th 2000 of Politburo on strengthening, completing, and developing the system of people's credit funds, and the Prime Minister's Decision No. 135/2000/QD-TTg dated November 28th 2000, approving the Project of strengthening, completing, and developing the system of people's credit funds.

c) Solutions for developing microfinance institutions

Execute the Project "Development of Vietnam's microfinance system in 2010" approved by the Prime Minister in the Decision No. 2195/QD-TTg dated December 06th 2011.

IV. ORIENTATION AND SOLUTIONS FOR RESTRUCTURING FOREIGN CREDIT INSTITUTIONS

1. Orientation:

Enable foreign credit institutions to operate in Vietnam and go into a fair competition with Vietnamese credit institutions. Encourage foreign credit institutions to cooperate closely with Vietnamese credit institutions, especially in resolving the difficulties of Vietnamese credit institutions. Enhance the cooperation and connection between foreign credit institutions and Vietnamese credit institutions in developing products, innovating management, and modernizing banking technology.

2. Solutions:

Some primary solutions for restructuring foreign credit institutions:

- The amalgamation, merger, and acquisition among foreign credit institutions and between foreign credit institutions and Vietnamese credit institutions must be voluntary and conformable with law; encourage foreign credit institutions to contribute capital, buy shares, acquire, merge, or amalgamate with Vietnamese substandard credit institutions that need restructuring.

- Enhance the responsibility of the parent credit institutions overseas for the safety of affiliated units in Vietnam; parent credit institutions overseas shall ensure the solvency and fulfill all financial obligations of affiliated units in Vietnam.

- Consider raising the limits on the shares of restructured substandard joint-stock commercial banks held by foreign credit institutions.

- Manage and supervise the operation of foreign credit institutions in international transactions and provision of new banking services in Vietnam in order to avoid the manipulation of foreign credit institutions and ensure the benefits of clients.

V. SOLUTIONS FOR RESTRUCTURING CREDIT INSTITUTIONS

- Formulate and request the Government to approve the Strategy for banking industry development by 2020.

- Update and complete the system of legal documents on banking, including:

- + Promulgating standards of capital adequacy conformable with Basel II;

- + Update and complete the regulation on safe operation of credit institutions, especially the solvency ratios in order to restrict and control the risks to credit institutions;

- + Amend the regulations on credit granting, debt classification, leaving and using loan loss reserve to be tighter and more conformable with international practice;

- + The regulations on providing information about credit institutions must be in touch with the reality in Vietnam and principles of Basel;
- + Complete the documents guiding the Law on Deposit insurance and the Law on Money laundering prevention;
- + Complete the regulation on licensing credit institutions, opening and shutting down branches and transaction offices of credit institutions;
- + Promulgate principles and standards of risk management applicable to credit institutions;
- + Amend the accounting system of credit institutions to match international accounting standards;
- + Complete the policies and regulation on bank payment and cash payment; execute the project of Enhancing non-cash payment 2011 – 2015 according to the Prime Minister’s Decision No. 2459/QĐ-TTg dated December 27th 2011.
- Keep improving the efficiency of bank inspection and supervision; complete the organization and operation of bank inspecting and supervising agencies. Carry out inspection based on the risks and overall supervision of credit institutions; develop the supervision system according to CAMELS standards, risk assessment and early warning system in banking. Focus on improving the quality and proficiency of bank inspectors and supervisors.
- The State bank of Vietnam shall facilitate the merger, amalgamation, and acquisition of credit institutions by finding and introducing partners, providing information for credit institutions that demand technical or legal support.
- Actively, flexibly, and efficiently use monetary policy tools, exchange rates, and interest rates according to market principles in order to ensure the safety of the bank system, minimize risks to the economy, contribute to inflation control, macroeconomic stabilization, and promote sustainable economic growth.
- Efficiently organize and management the gold and money market, facilitate the healthy and safe development of the secondary money market and derivative market. Formulate and submit the Project of Dollarization prevention to the Government for approval.
- Keep modernizing and comprehensively developing the bank system, especially the management information system of the State bank of Vietnam and the bank payment system in accordance with the basic principles of essential payment system of the Bank for International Settlements
- The State bank of Vietnam shall cooperate with Ministries, agencies, and local governments in intensifying the propagation of policies of the State and the Government on restructuring credit institutions in order to relieve anxiety and achieve social consensus.
- Strictly handle the violations against the laws on management and the laws on credit institutions.

C. ITINERARY

I. 2011 - 2012

- Assess the conditions and quality of assets and bad debts of credit institutions;
- Assess and classify credit institutions;
- Develop and implement the plan for restructuring substandard credit institutions and other credit institutions;
- Focus on supplementing liquidity to ensure the solvency of credit institutions;
- Basically complete the initial public offerings of state-owned commercial banks (except for Agribank);
- Carry out merger, amalgamation, and acquisition of credit institutions;
- Increase charter capital and settle bad debts of credit institutions;
- Restructure the operation and management system.

Anticipated result: the solvency of the entire system of credit institutions is basically ensured; substandard credit institutions are under control as the basis for restructuring in later period.

II. 2013:

- Finish amending the regulations in banking activities;
- Achieve healthy financial conditions of credit institutions, including settling bad debts and increasing charter capital;
- Restructure the operation and management system;
- Basically finish restructuring the ownership and legal persons of substandard joint-stock commercial banks;
- Finish restructuring financial companies and leasing companies.

Anticipated result: the threat of collapse of the system of credit institutions is eliminated. Substandard credit institutions are basically dealt with. The discipline in the banking industry is restored and strengthened.

III. 2014:

- Complete the financial restructuring of credit institutions;
- Credit institutions achieve the actual charter capital and meet the standards and safety limits in banking activities as prescribed by law;
- Keep restructuring the operation and management system;
- Carry on the voluntary merger, amalgamation, and acquisition.

IV. 2015: Finish restructuring the operation and management system.

Anticipated result: the finance and business are strengthened, reorganized, and healthy; the management system is significantly improved. Credit institutions meet the requirements of capital and banking safety standards.

Measures for strengthening, reorganizing, and restructuring the credit institution above shall be drastically and comprehensively taken. The finance and operation of the system of Vietnamese credit institutions be healthy by 2015. The quantity of small and substandard credit institutions shall be reduced, large and competitive commercial banks shall be established. The scale and role of state-owned commercial banks in the bank system shall be enhanced. The cost of strengthening, reorganizing, and restructuring the system of credit institutions must be minimized. The threat of uncontrolled collapse of bank must be eliminated. The system safety and stability must be sustained. Negative impacts on the macroeconomic stability, political security and social order must be prevented./.

[1] This Project does not include Vietnam Development Bank and Vietnam Social Policy Bank.