

PRIME MINISTER

No: 986/QĐ-TTg

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom - Happiness

Hanoi, August 08, 2018

DECISION

**ON APPROVING DEVELOPMENT STRATEGY OF VIETNAM BANKING SECTOR BY
2025 AND VISION TO 2030**

PRIME MINISTER

Pursuant to the Law on Organizing the Government dated June 19, 2015;

Pursuant to the Law on The State Bank of Vietnam dated June 16, 2010;

Pursuant to the Law on Credit Institutions dated June 16, 2010 and the Law on Amendments to certain Articles of the Law on Credit Institutions dated November 20, 2017;

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

DECISION:

Article 1. Approval for “the development strategy of Vietnam Banking Sector by 2025 and vision to 2030”:

I. VIEWPOINTS AND OBJECTIVES

1. Viewpoints

a. The monetary and banking systems and the operation of credit institutions are the lifeblood of the economy and continue to maintain their substantial roles in the financial system of Vietnam. Stabilizing credit institutions' operations shall be a key part in monetary and financial stability and a prerequisite for macroeconomics stability and sustainable growth; this stability shall be ensured by a synchronous and effective coordination between the monetary policy and the fiscal policy and other macroeconomics policies; with a harmonious and balanced development between banking, securities and insurance sectors.

b. The institutional improvements in monetary and banking sectors shall be an essential part of improving socialist-oriented market economy institutions. The legal framework associated with monetary and banking sectors shall conform to the market discipline in order to keep the system safe, sound and stable; enhance transparency and competitiveness and conform to the best international practices.

c. The credit institutions within the system and from different types of economic sectors are treated fairly, can compete under the law, have autonomy in their operation and take responsibility for their actions. Accordingly, the domestic credit institutions take on the key role in mobilizing and distributing credits, providing banking products and services to support the social-economic development of Vietnam.

d. The State, through the role of State bank, shall create a stable and secure monetary and banking business environment, encourage healthy competition, maintain discipline, obey the laws, and respect the market rules. The State shall intervene mainly with money market instruments or through state financial resources; create favorable conditions for the development of private sector under the law. The State shall only make administrative intervention in the monetary market and banking operation when there are fluctuations arise in such market that may threaten the safety of banking system and macroeconomic stability.

dd. Opportunities and challenges from the influence of industrial revolution shall be captured and taken up during the operation of banking sector. The application of modern science and technology, and the innovation that goes hand in hand with the development of high quality human resources are the main keys to promote a quick and stable banking development, improve competitiveness and reduce the gap in development levels between Vietnam banking sector and the regional countries or the world.

2. Objectives

a. General objectives

This strategy aims to modernize the State bank of Vietnam (hereinafter referred to as "State Bank") towards: rational organization model and synchronous and effective operation mechanism in accordance with the socialist-oriented market mechanism, with adequate legal standing and accountability; the priority objective is to control inflation, contribute to the macroeconomic stability and promote sustainable growth; ensure a safe and sound credit institutions network, play a key role in ensuring financial stability; carry out supervision for payment systems; become the center for making payments or final accounts for the payment systems and the financial - monetary transactions in the economy.

The development of credit institutions' system: the credit institutions shall play a key role in operating transparently and competing in a safe, effective and firm manner; building diverse structures of ownership, scale and type; relying on technology base and advanced banking administration to satisfy the operation standards of international rules, aiming to achieve the development level of top four ASEAN countries in 2025; being active and creative to adapt to the liberalization and globalization processes; satisfying the rapid demand for financial and banking services, moving towards financial inclusion 2030, ensuring that the citizens and enterprises having adequate and convenient access to financial and banking services with good quality, and contributing positively to the sustainable banking development.

b. Specific objectives

- Increase the independence, initiative and accountability of the State Bank for the purpose of operating monetary policy and controlling inflation at an appropriate level in consistent with the social-economic development in each period, support macroeconomic stability and promote the goal of sustainable economic growth.

Decrease the ratio of foreign-currency credit to total credit, with the aim to achieve a foreign currency deposit rate per total liquidity of below 7.5% in 2020 and 5% in 2030; aim to stop lending foreign currency to overcome dollarization in the economy.

- Strengthen institutional capacity, effectiveness and efficiency of the banking inspection and supervision which are carried out by the State Bank; extend the scope of inspection and supervision to financial groups in form of parent-subsidiary companies, in which the parent company is the credit institution; By the end of 2025, the banking inspection and supervision shall adhere with most of the Basel's principles of effective banking supervision.

- Encourage the development of non-cash payments and the optimization of ATM and POS networks. By the end of 2020, the ratio of cash to total liquidity shall be below 10% and by the end of 2025, the aforesaid ratio shall be below 8%.

- Increase the number of enterprises and citizens that have access to financial and banking services provided by credit institutions. Focus on developing appropriate types of services for the population groups with little or no access to the traditional banking services in rural, remote areas and extremely disadvantaged areas.

- Develop credit institution system in accordance with the social-economic conditions and the actual state of the system in each period:

From 2018 to 2020:

Continue restructuring the credit institution system with a focus on a basic and thorough handling of bad debts and poor-performing credit institutions using appropriate forms in accordance with the market mechanism on the principle of prudence, ensure the interests of depositors and maintain the safety and stability of the system; reduce a number of poor-performing credit institutions to keep the appropriate ones that operate in a healthy manner.

Continue revitalizing the financial status and improve the management capacity of credit institutions in accordance with the laws and international practices; handle and eliminate cross investment, cross ownership and ownership in form of controlling and ruling within the system of relevant credit institutions; encourage commercial banks to cut investments in non-banking fields.

By the end of 2020:

The basic commercial banks shall have equity capital in accordance with Basel II standards, in which at least 12 - 15 commercial banks apply successfully Basel II standard methods or above; and at least 1 - 2 commercial banks are among 100 largest banks (by total assets) in Asia.

Increase the percentage of earnings from non-credit services provided by commercial banks to 12 - 13 %; complete the process of listing shares of joint-stock commercial banks on Vietnam stock market; raise the legal capital of People's Credit Fund.

Decrease the bad debt ratio of credit institutions, bad debts sold to Vietnam Asset Management Company (VAMC) and debts which have gone through debt classification measures to be less than 3% (exclusive of poor-performing commercial banks that have been approved by the Government to be restructured).

From 2021 to 2025:

Enhance competitiveness, increase transparency and adhere to international standards and practices in the management and operations of credit institutions.

By the end of 2025:

There must be at least 2 to 3 commercial banks among 100 largest banks (by total assets) in Asia and 3 to 5 banks listed on foreign stock market.

All commercial banks shall apply Basel II according to standard approach, and implement on a pilot scale Basel II under the advanced approaches at state commercial banks and joint-stock commercial banks that have good management quality and apply successfully Basel II according to standard approach.

Increase the percentage of earnings from non-credit services which are included in the total income of commercial banks to 16 -17 %.

The bad debts of the whole system of credit institutions shall be below 3%.

- Increase the efficiency of allocating credit capital to meet the requirements of social-economic development; accelerate the development of "green credit" and "green bank" in order to transform the economy into green growth and low-carbon growth and make it adapt to climate change; increase the proportion of the banks' credit investments in renewable energy, clean energy, low-carbon production and consumption. Integrate the contents of sustainable development, climate change and green growth into the credit programs and/or projects.

- Step by step raise Vietnam's position in international banking fora and organizations, with the aim to serve the banking development and satisfy the requirements of international integration.

II. MAIN TASKS AND SOLUTIONS

1. Improve the legal framework in monetary and banking areas on the basis of fully observing the rules of market economy and international practices and satisfying the economic integration requirements:

- Review and complete the Law on the State bank of Vietnam and other relevant regulations on State Bank's tasks and rights; ensure that the State bank can strengthen its independence, take initiative in managing the monetary policy and at the same time play the role of a government agency; strengthen and improve the capacity of banking sector, and ensure that after 2020, the basic banking market will operate under the market principles.
- Review and evaluate the influence and efficiency of such regulations in order to amend and promulgate relevant regulations on monetary stability by ensuring that the monetary policy will control inflation and cooperate with the fiscal policy and other policies effectively. Regulate the interest in accordance with the macroeconomic process, inflation and monetary market. Regulate flexible exchange rate in accordance with the conditions of the market, macroeconomic balances and monetary policy objectives.
- Build a system of standardized indicators to evaluate the stability and safety of the monetary market.
- Summarize and evaluate the implementation of Ordinance on Foreign Exchange Control 2005 and the ordinance on amending the aforesaid Ordinance dated 2013; on that basis, continue improving the legal framework for foreign exchange control of capital transactions, current account transactions and other relevant economic relations.
- Improve the legal framework to determine the responsibility of the State Bank in carrying out inspection and supervision for finance corporations which operate in form of parent – subsidiary companies, in which the parent company is the credit institution; cooperate with relevant companies in providing advises for the Government to build the legal framework for finance corporations.
- Determine the State Bank's principle responsibility in promoting financial stability; legislatively define the financial stability of State Bank, and step by step improve the legal framework for secure macroeconomic supervision of financial system.
- Carry out research on the unified supervision of financial system in accordance with international practices and actual conditions in Vietnam; and report this research to the Prime Minister.
- Review, supplement and complete the regulations on safe banking operation, issuance of certificates, inspection, supervision and handling to be carried out in accordance with international practices and actual conditions in Vietnam; raise responsibilities and enhance transparency in managing and operating credit institutions as prescribed in the regulations on restructuring the aforesaid institutions in each period.
- Promulgate a road map for guiding the implementation of Basel II standards; define criteria for classifying and ranking credit institutions by determining which ones are healthy credit institutions, poor-performing credit institutions and important credit institutions within the banking system; review and improve the management and supervision mechanism in conformity with each type.

- Build support mechanism for the credit institutions that are assigned to receive and manage poor-performing credit institutions and credit institutions that participate in the restructuring process; build risk early warning system and mechanism for handling system crisis and handle potentially high risk credit institutions; protect the intervention rights of the State Bank in order to keep the system and the deposits of citizens safe; amend the regulations on handling cross-ownership and preventing misuse of management rights and shareholder rights in controlling the operation of credit institutions; improve the legal framework for merging, consolidating and liquidating the aforesaid institutions.

- Conduct research on, amend and complete the regulations on foreign investment in purchasing shares of Vietnamese credit institutions, with the aim to increase foreign ownership ratios under different forms of credit institutions; these regulations shall be made in accordance with the international commitments to which Vietnam is a signatory in order to promote the mobilization of foreign capital resources, technology and management; at the same time encourage the foreign investors to participate in liquidating poor-performing credit institutions.

- Amend certain articles of the Law on Prevention of Money Laundering.

- Develop and promulgate the Law on Payment Systems with the aim to strengthen the management and supervision of such systems within a safe and appropriate economy in consistent with the actual conditions in Vietnam, international standards and practices, and to enhance the State Bank's management role in payment sector.

- Improve institutional policy and create favorable conditions for the credit institutions in order that they can provide full and different financial service products, especially non-credit service products and modern service products which are produced by applying digital technology, with the aim to satisfy the growing demands of the economy.

- Review, amend and promulgate new legislative document on crypto currency.

2. Enhance the State Bank's institutional capacity, raise its position, and increase its autonomy and accountability:

a. Restructure the organization of the State Bank towards lean manufacturing, high specialization, effective and efficiency management and administration:

- Continue to check, organize, strengthen and reorganize the Departments and Offices, which are under the management of the State Bank's head office, in order to focus on managing and administering these Departments and Offices according to different sectors, keeping the system smooth and effective; step by step comply with the international practices and standards.

- Properly carry out tasks such as providing cash; counting, classifying, maintaining and transporting cash in the banking sector and developing the network for providing funding services towards having the credit institutions or enterprises of banking sector providing the aforesaid services; enhance the responsibilities of credit institutions in managing cash and keeping the fundings safe.

- Continue strengthening the role of Credit Information Center (CIC), improving the quality of personal information and information of enterprises; support credit institutions in accessing adequate information to provide effective and safe services; implement the approved Scheme for developing CIC by 2015 and vision to 2020; increase investment and upgrade information infrastructure to make CIC become a trustworthy credit information channel for serving the policy-making of State Bank and supporting credit institutions in preventing and minimizing risks.

- From 2018 to 2020, the State Bank shall take charge and cooperate with relevant ministries, sectors and localities in checking and evaluating the operating efficiency of State Bank's branches in provinces and cities; from 2021 to 2025, the State Bank shall continue making the system become lean, effective and efficient, with the aim to satisfy the requirements for administrative reform and financial service provision; after 2025, the Area State Banks must be established.

b. Strengthen the role of State Bank in monetary and financial stability, increase its autonomy and accountability. Continue enhancing the management capacity of the State Bank in accordance with international standards and practices.

c. Build and promulgate mechanism for defining functions, tasks and powers of State Bank as it plays the role of a regulatory agency in banking sector and the role of a representative of the State's capital portions in credit institutions and state-owned enterprises; strengthen management and supervision for the state capital portions in credit institutions and state-owned enterprises; strengthen and improve the representative mechanism of the State's capital portions in state-owned commercial banks; raise the representative's responsibilities and improve his or her ability in carrying out tasks; maintain the mechanism for information exchange, report and authorization, and ensure that the aforesaid mechanism is provided in accordance with the laws and the operation process of credit institutions.

d. Create a breakthrough in administrative reform; pay high attention to the intensification of the information technology application and the modernization of public administrative services, with the aim to help organizations and individuals saving time and money while carrying out administrative procedures.

3. Renovate the monetary policy framework and the management of forex and gold markets:

a. The monetary policy framework aims at the highest goal which is to control inflation, stabilize currency value, contribute in maintaining macroeconomic stability, and create favorable conditions for enhancing the efficiency of mobilization and funding allocation in the economy, and promote sustainable economic growth; increasing State Bank's independence in managing monetary policy.

Manage the monetary policy by switching from managing money supply to managing prices; use indirect tools to phase out administrative measures of interest rates when it is allowed; continue managing the open market operations, which are a major instrument for regulating the liquidity of credit institutions, with the aim to achieve the monetary policy objectives in each period.

b. Renovate the foreign exchange management framework towards:

- Continue implementing the freely floating exchange rate regime under control, managing the exchange rates with a higher degree of flexibility, and keeping closer track of the developments in domestic and international financial markets; at the same time, ensuring the compatibility of the macro-monetary balances and the monetary policy objectives in each period. Continue implementing the measures for developing a healthy and efficient foreign-exchange market, and increase the use of derivative instruments in preventing exchange rate risk.

- Renovate the management of the State's foreign exchange reserves in accordance with international practices and the size of foreign exchange reserves in each period, with the aim to ensure the harmony of objectives of safety, liquidity and profitability. Improve capacities for analysis and forecast in order to set up the structures, standards and investment limits on the State's foreign exchange reserves in conformity with international and domestic scenarios in each period; establish an independent unit under the State Bank for managing the investments in foreign exchange reserves when these reserves reach a certain size.

- Create a synchronous cooperation between the monetary policy measures in order to stabilize the forex market, step by step extend the size of the state's forex reserves in accordance with actual conditions.

- Implement comprehensively the measures for eliminating dollarization in the economy by 2030; limit the lending of foreign currency loans in order to switch the capital mobilization and lending of foreign currency loans to foreign currency trading, with the aim to ensure the liquidity of foreign currency and the increase of forex reserves; implement the scheme on liberalization of capital transactions in accordance with Vietnam's road map for the implementation of international commitments, which have been approved by the Prime Minister in the Decision No. 1590/QD-TTg dated August 11, 2016.

c. Renovate the management framework for gold market in order to attain sustainable development goals, limit the use of gold as a currency and support monetary policy management and macroeconomic stability.

d. Renovate and improve the quality and efficiency of monetary statistical activities, analyze the forecasts, intensify the application of information technology, improve statistical analysis software, carry out statistical analysis and data processing, and ensure the quality of statistical data and products; carry out timely and accurate analysis and forecasts in accordance with international practices, with the aim to effectively serve the guidance and management activities; improve the mechanism for collecting and sharing information within the banking sector and in the agencies of different sectors; ensure policy cooperation between the State Bank and the Ministry of Finance, the Ministry of Planning and Investment, the Ministry of Industry and Trade in order to create a synchronous and consistent cooperation between monetary policy and fiscal policy and other macro policies during the Government's macroeconomic management process.

dd. Develop a sustainable and transparent monetary market in accordance with the orientations and road map for restructuring financial market, with the aim to ensure an appropriate market mechanism which is in harmony with the capital and insurance markets.

- Make the information announced on the monetary market more transparent and improve its quality in order to gain trust among the investors and depositors; build the information system for managing the interbank monetary operations, with the aim to support the management of State Bank and the demands of the credit institutions.

- Improve the quality of financial and annual reporting of credit institutions; the information provided in such reports shall be adequate and accurate, including non-financial information regarding the ownership structure and the governance activities.

4. Develop, manage and supervise the key payment systems in the economy

a. Restructure the interbank electronic payment system to become a focused and modern system which is the national backbone and play the role of the payment center of State Bank, with the aim to serve the qualified payment system and the interbank payment system of multi-currencies, ect, and connect with other payment systems in the economy.

b. Build and develop Automated Clearing House (ACH) for retail payment transactions and card transactions in order to provide financial switching services and electronic clearing services by using different payment methods, payment services and payment channels; carry out batch transfer based on the actual time and provide 24/7 services for different entities.

c. Improve the internal payment systems of the banks in order to create a smooth and automatic connection with the ACH and the IBPS (Inter Bank Payment System) of State Bank to serve the payment demands of different entities such as credit institutions, enterprises, individuals and government agencies.

d. Improve the State Bank's supervisory functions for the key payment systems in the economy in accordance with the supervision standards made by the BIS and IOSCO, keeping the national payment systems safe, effective and smooth; carry out supervision for the cross-border and international payment activities; carry out supervision for the provision of new means and new payment services; conduct research on and build development strategy for payment and final account systems by 2025, and vision to 2030.

dd. Build and promulgate the development strategy for the National Payment Corporation of Vietnam by 2025, and vision to 2030.

5. Enhance the effectiveness and efficiency of the banking inspection and supervision system in accordance with the international practices and standards:

a. Improve the organizational structure of banking inspection and supervision agency in accordance with the State Bank's road map for building organizational structure and operation mechanism.

- Improve and renovate the organizational structure of banking inspection and supervision system by providing a consistent guidance for the banking inspection and supervision agencies and units in provinces, and avoid task overlaps or task missing; build a clear and transparent mechanism that devolves, decentralizes and divides responsibilities, and a cooperation mechanism for sharing information and reporting procedures, and provide management guidance within the system of the banking inspection and supervision agency and between such agency and the units under the State Bank; establish a unit under the aforesaid agency for taking responsibility to manage, inspect and supervise the activities of important credit institutions and of consultancy unit that helps the Governor of the State Bank to manage the operation of credit institutions' system; such credit institutions are the cooperatives.

- Enhance the cooperation in sharing information between the banking inspection and supervision agencies and the law enforcement agencies and the authorities while carrying out financial inspection and supervision tasks in order to keep the financial system safe and stable.

b. Change the inspection and supervision methods:

- Continue changing from conformity-based inspection to risk-based inspection on the basis of risk management; gradually apply this model to all credit institutions and branches of foreign banks; intensify comprehensive inspection of credit institutions.

- Continue changing the supervision activities towards: enhance the efficiency of micro-prudential supervision and macro-prudential supervision on the basis of using new risk-based supervision tools and methods associated with the acceleration of information technology application; promote the State Bank's early-warning capability regarding systematic hidden risks and prevent the credit institutions and branches of foreign banks from violating banking laws; ensure close cooperation between supervision and inspection, issuance of certificates and promulgation of regulations and policies.

c. Increase technology investments for supporting banking inspection and supervision.

d. Build a mechanism for controlling officials and an appropriate mechanism at the same time for protecting them and minimizing the legislative risks for those who carry out banking inspection and supervision.

dd. Enhance the inspection and supervision quality for financial corporations in form of parent – subsidiary companies, in which the parent company is the credit institution; control the linkage between credit institutions and financial institutions which are subjected to the State Bank's inspection and supervision.

6. Develop modern products and services, and provide a basis to improve access to banking services:

a. Diversify the channels for delivery of banking services:

- Expand the traditional channel network in combination with enhancing the development of modern banking channels (E-banking, mobile banking, internet banking, etc) through application of technology advances.

- Continue developing and organizing the ATM and POS network nationwide in order to satisfy the market demands better; encourage other banks and organizations to invest and expand the ATM network to rural areas where people have little access to banking transaction points; conduct a research on the application of certain modern ATMs; build and carry out the plan on developing ATM cards within the period from 2018 to 2020.

- Encourage cooperation in healthy competitions between the banks and the fintech organizations, other non-bank entities, micro-finance institutions and people's credit funds in order to develop a low-cost branch network for the banks; create an appropriate legal environment in consistent with the safe and effective development of financial institutions; and promulgate the linkage criteria for linking the credit institutions with each other and credit institutions with fintech organizations. .

- Develop a policy on expansion of cash withdrawal points and modern payment methods which are convenient, easy to use and appropriate for different population groups, especially those that live in rural areas, remote areas and economically disadvantaged areas, by using existing network of credit institutions, post office network, and networks of payment processing companies and of other non-bank organizations.

b. Improve quality of and diversify banking products and services:

- Improve the quality of service products by improving customer service attitude, changing procedures and enhancing the application of information technology, saving time and costs, satisfying customer demands better in accordance with the law regulations, and contributing in promoting the development of production and business.

- Focus on developing banking products and services based on modern information technology in order to satisfy the demands of those who have no or little access to banking services; improve flexible microfinance products, which are simple, easy to understand and appropriate for a vast majority of people, especially those who live in rural, remote areas and extremely disadvantaged areas; develop products and services of trade credits and credits of enterprises which participate in value chain.

- Develop value added services on banking delivery channels by using bank cards; establish standards for domestic smart cards and implement the plan for conversion to smart cards in Vietnam following an appropriate road map to ensure card payment facility and connectivity with other payment systems.

- Continue investing in infrastructure and developing electronic payment methods such as online banking, internet payment, mobile payment, contactless payment, QR code payment, Tokenization payment, ect; apply security methods and newly advanced security standards in

accordance with global payment trends in order to ensure that the payments will be made promptly and safely in a convenient way and with reasonable costs.

c. Develop e-payments to serve e-commerce by improving and enhancing the linkage between the e-payment infrastructure of banking system and the payment infrastructure of other units in order to satisfy the e-payment requirements within e-commerce system, at retail locations and through making payments for invoices and online banking services.

d. Design and carry out the national strategy for financial inclusion.

dd. Carry out green banking activities through increasing the banking sector's awareness and responsibilities to environment and society; enhance the credit institutions' capability in developing the products used for mobilizing and lending the credit capital which is contributed in renewable energy, clean energy, low-carbon production and consumption.

7. Develop credit institutions' systems which are capable to compete in domestic market, step by step enhance their ability to participate in international competition:

a. As for commercial banks and non-bank credit institutions (financial companies, consumer finance companies and financial leasing companies):

From 2018 to 2020:

- Revitalize and enhance the financial capability of commercial banks and non-bank credit institutions by raising the capital and improving the quality of their internally generated funds in order to ensure that their charter capital is not lower than their legal capital and to achieve the minimum capital adequacy ratio in accordance with laws and international standards; take charge to implement the methods for controlling credits' quality, reducing bad debts and improving the quality of assets.

- Strongly transform the business models of commercial banks toward diversification banking services, especially non-credit services; improve professionalism in providing electronic banking services; increase export of financial service; continue checking and strengthening main business activities; cut investments in non-banking fields, non-financial sector with multiple risks; give priority to providing credits for key economic sectors, with the aim to contribute in promoting economic restructuring.

- Enhance management capability and transparency in the operation of credit institutions: Improve and apply risk management system in accordance with Basel Committee's principles and standards and Basle II's road map in Vietnam; improve and implement banking management regulations in accordance with international practices; develop management and business staff that have high qualifications, obey the law, have good moral quality and a sense of responsibility; diversify the shareholder structure; request the credit institutions to publicly disclose accurate information about their business and ownership strategy, financial process, risk management structure and enterprise management structure in accordance with laws and international practices.

- Modernize the information technology system and internal payment system of commercial banks; upgrade the core banking system in consistent with the complex level and scale of credit institutions' operation and management; intensify the application of information technology in management, analysis and risk prevention; invest in and develop appropriate methods at the same time for ensuring information technology security;

- The state commercial banks shall play a leading role with regards to the banking scale, market share and the ability to regulate market; take the lead in applying modern banking technology and improve advanced management ability; take the initiative to achieve global integration; and participate in restructuring poor-performing credit institutions as guided by the State Bank.

As for the commercial state banks (not including Vietnam Bank for Agriculture and Rural Development): increase their charter capital to ensure that their capital adequacy ratio is consistent with Basel II standards, ensuring the dominance of the State over commercial banks as the State holds a minimum of 65% of total voting rights; select reputable strategic shareholders in the market who have good financial ability and management experience; and prepare pre-conditions for listing shares in foreign stock market.

The Vietnam Bank for Agriculture and Rural Development shall play a leading role in the sector of agricultural and rural credit; develop the multipurpose bank model; implement equitization at appropriate time and ensure that the State holds at least 65% of their charter capital.

- Continue strengthening, reorganizing and restructuring join-stock commercial banks and non-bank credit institutions to revitalize and improve their financial ability regarding the banking scale, quality and efficiency, and to ensure the banking system safety; ensure a transparent business operation according to the market mechanism to fully satisfy the banking management and security standards as prescribed by laws and international practices.

- Encourage and provide favorable conditions for the well-performing credit institutions and the potential foreign investors to participate in restructuring join-stock commercial banks and poor-performing credit institutions; promote the selling and merging of credit institutions on a basis of volunteering, with the aim to establish new institutions with larger scale and better management.

- Provide favorable conditions for the foreign credit institutions to conduct business and compete fairly with Vietnam's credit institutions; encourage the foreign credit institutions to participate in supporting and handling problems regarding the poor performance of domestic credit institutions; also, encourage the foreign credit institutions to take the lead in developing and applying modern technology, with the aim to bring new products and services to Vietnam market; support domestic credit institutions in accessing new products and services, with the aim to satisfy the diversified demands of the customers.

From 2021 to 2025:

- Comply with the international standards and practices in managing and operating credit institutions at a higher level; continue improving and implementing the internal policies and procedures; check, evaluate and amend the advanced management methods based on

international standards and practices as prescribed by Vietnam's laws; summarize the reports on applying Basel II according to standard approach; apply Basel II under the advanced approaches to the commercial banking systems prescribed in the State Bank's road map.

- Continue modernizing the technology system and enhancing the application of information technology in managing, analyzing and preventing risks; continue investing in and having appropriate methods for securing information technology system.

- Continue applying methods for diversifying the shareholder structure and providing favorable conditions for establishing large banks that are significant to the banking system and the area where the banks are located.

- The credit institutions shall take charge to develop/adjust the business strategy in accordance with the new period; in which the service development strategy shall be clear and focus on developing the modern banking channels that apply digital technology; diversify the banking service products, develop non-credit channels with the aim to increase the percentage of earnings from non-credit activities, and commit to participate actively and effectively in implementing financial inclusion.

- The state commercial banks shall continue playing a leading role in improving the banking scale, market share and the ability to regulate market; take the lead in applying Basel II under advanced approaches leading to global integration; ensure that the State's ownership ratio reaches 51%; list shares on the foreign stock market (except Vietnam Bank for Agriculture and Rural Development; this bank shall list shares on domestic stock market).

- All joint-stock commercial banks shall satisfy the capital, database and human resource conditions in order to fully apply Basel II according to standard approach; select joint-stock commercial banks that have applied Basel II according to standard approach and have had good management quality for applying Basel II under advanced approaches; encourage qualified joint-stock commercial banks to list the shares on foreign stock market.

- Develop different forms of non-bank credit institutions in accordance with international practices and actual conditions in Vietnam.

- The foreign credit institutions shall continue to take the lead in developing banking services and creating a competitive environment for promoting the development of domestic credit institutions.

b. As for cooperative credit institutions and microfinance institutions:

- As for cooperative credit institutions:

From 2018 to 2020:

As for cooperative banks: enhance the role and responsibilities of Cooperative Banks in regulating capital, checking and supervising the customers' process of using loans and their

solvency; provide professional guidance and training in banking sector and information technology sector; support banking activities of members of people's credit funds; participate in handling these members' difficulties that may lead to unsafe activities.

As for the people's credit funds: reorganize and strengthen the financial capacity, management and operation of the existing people's credit funds, at the same time expanding new and more stable people's credit funds in rural areas; the main scope of these funds' activities is to mobilize capital and lend loans to the member within their areas, especially those who are living in rural areas, in order to mobilize on-site resources to contribute in developing local economy, reduce poverty and avoid lending money at heavy interest rates; ensure that these funds operate according to the principle of voluntary membership, autonomy and self responsibility for its operating results, and have its members support each other. These funds shall operate in accordance with the regulations of the Law on Credit Institutions and the Law on Cooperatives; develop and implement the scheme for reorganizing and developing people's credit funds by 2020 and vision to 2030, with the aim to ensure that these funds operate in a safe, effective and stable manner; step by step make the credit institutions' system become the foundation for monetary operations, credit activities and banking activities in agricultural and rural areas.

As for Vietnam Association of People's Credit Funds (hereinafter abbreviated as "VAPCF"): strengthen the organization and operation of VAPCF in order that this association takes the lead in linking the system of people's credit funds, carrying out interest representation and guiding the general development of such funds; cooperate with the cooperative banks at the same time to provide training for the funds' officials and establish an independent auditing agency in accordance with the laws.

From 2021 to 2025:

As for the cooperative banks: complete the transformation of cooperative banks into banks of all people's credit funds in order to improve the linkage and ensure the operational safety of the system through financial support and operational supervision; the main activity is to regulate the capital, carry out banking activities and manage the operation of the Fund to keep the system of people credit funds safe and secure; conduct research on and build the independent credit appraisal center with the aim to improve the credit quality of people's credit funds.

As for the people's credit funds: apply the methods for ensuring that such funds operate in accordance with the guidelines, purposes and principles of cooperative credit institutions; improve the linkage and mutual assistance between the funds' members; focus on supporting the production development and service business, and improve the living conditions of such members; continue improving the mechanism, management structures, investment in facilities and information technology system, and diversifying and modernizing the products and services in accordance with international practices and the particularities of cooperative credit institutions, with the aim to provide better services for the members, establish the linkage between the professional people's credit funds or between such funds and other people's credit funds, or between the professional people's credit funds and cooperative banks.

As for the VAPCF: improve the organizational structure and the operation of VAPCF in order that VAPCF cooperates with cooperative banks in improving the linkage between the system of credit institutions, which are the cooperatives, and the system of people's credit funds; contribute in supporting and ensuring that the system of people's credit funds operate and develop in a safe and stable manner.

- As for the microfinance institutions:

From 2018 to 2020: build and develop a safe and strong microfinance system towards market orientation; ensure that the micro enterprises, poor households and low-income persons have access to qualified financial services; provide opportunities for people to develop economically; implement the Party's and Government's undertakings to ensure social security or sustainable poverty reduction; carry out a synchronous scheme for “building and developing the microfinance system in Vietnam till the end of 2020”; this scheme is approved by the Prime Minister in the Decision No. 2195/QĐ-TTg dated December 06, 2011; this strategy also aims to provide favorable conditions for the establishment of microfinance institutions and the operation of microfinance programs and projects; provide mechanism for management and supervision in accordance with the particularities of micro-finance operation; develop particular policy with the aim to link the operation of credit institutions with the operation of microfinance institutions.

From 2021 to 2025: continue providing mechanism for encouraging and supporting the development of microfinance institutions, increase the quantity of such institutions in order to improve the customers' accessibility to financial services, and support the implementation of national strategy for financial inclusion.

8. Improve the banking activities of other credit institutions

a. As for the Vietnam Bank for Social Policy:

- Focus on transforming the policy lending of commercial banks to policy lending of Vietnam Bank for Social Policy; make the Vietnam Bank for Social Policy become an organization with autonomy and sustainable development, at the same time maintaining its role as the public financial institution that implement the government's social policies; focus on the sectors that cannot be satisfied or can be partially satisfied by the financial institutions that operate according to the market principles.

- Period from 2018 to 2020: achieve the objectives of the development strategy of Vietnam Bank for Social Policy in the period from 2011 to 2020, and also effectively carry out the tasks and methods of the aforesaid development strategy, which is approved by the Prime Minister in the Decision No. 852/QĐ-TTg dated July 10, 2012.

- The development strategy from 2021 to 2030 shall be designed and submitted to the Prime Minister for approval based on the final evaluation report about the implementation results of the development strategy of Vietnam Bank for Social Policy from 2011 to 2020

b. As for VAMC:

Develop VAMC to become the center for handling bad debts associated with the restructuring of credit institutions in order to promote the development of debt trading market, ensure that the credit institutions develop in a safe and stable manner and have full capability and sufficient resources to buy, sell and handle bad debts, at the same time, determine the assets' prices and hold auctions for such assets.

c. As for the deposit insurance of Vietnam:

- Develop the deposit insurance of Vietnam into a single member limited liability company of which 100% charter capital is held by the State and its representative is the State Bank; protect the legal rights and legal interests of the depositors in order to contribute in maintaining the stability of the credit institutions' system and ensuring a safe and healthy banking development.

- The deposit insurance of Vietnam shall strengthen its financial capability, improve its performance, organizational structure and the skills of its officials; apply modern technology with the aim to effectively carry out banking supervision and evaluation, participate in special control, and give early warnings about the hidden risks that the organizations participating in deposit insurance may face; participate in restructuring poor-performing credit institutions; determine and collect the deposit insurance premiums, manage the investment capital, disseminate the deposit insurance policy and pay for the insurance in accordance with the international practices and regulations of Vietnam's laws.

- Develop and carry out the strategy for developing deposit insurance by 2025 and vision to 2030.

9. Focus on the development and application of science and technology and the development of human resources of banking sector.

a. Have access to the application of science and technology and be acutely aware of the impact of the fourth industrial revolution in changing the operations of banking sector:

- Continue renovating and applying modern technology by enhancing the integration of technology during the process of managing both the State Bank's system and the credit institutions' system.

- Increase the measures for ensuring the safety of credit institutions' system and continue supporting the construction of disaster recovery center; strengthen the measures for ensuring security and safety for interbank payment system; strengthen the regulations and measures for ensuring security, safety and confidentiality in making payments via ATM and POS networks or other payment methods that use high technology; supervise carefully the cash flow arising from the cross-border or international payment activities.

- Continue improving the legal framework for developing the new technology services, new payment methods and activities of new service providers in order to satisfy the management requirements during the fourth industrial revolution; develop clear mechanism and clear legal framework for approving the establishment of netting organizations based on a competitive

principle, with the aim to provide the basis for developing payment methods on a larger scale and improving the quality of payment services.

- Implement the strategy for developing the information technology system and keeping the banking system safe and secure by 2025, with vision to 2030.

b. Focus on developing science and technology:

- Strengthen the autonomy of science and technology organizations and the research and training organizations in the banking sector.

- Enhance the investments in science and technology of banking sector; focus on the quality of scientific research and management, and improve the scientific research application.

- Encourage initiatives and innovations; expand the activities in cooperating and establishing the fundings for scientific research activities of credit institutions. Connect the scientific research activities with reality; provide scientific arguments with the aim to develop strategies, schemes and plans for banking business activities.

c. Focus on developing the human resources for banking sector:

- Develop professional standards and require practicing certificates from certain core positions in banking sector; reform strongly the tasks of officials.

- Enhance the cooperation between the banking training unit and the unit that uses labor in banking sector.

- Focus on the training of qualified human resources in order to satisfy the development requirements of banking sector and the international economic integration, and pay high attention to the leadership and the top experts in order to reach the regional and international level. Provide trainings for the experts in the following areas of banking sector: monetary policy, management of foreign exchange reserves, payment, banking inspection and supervision, analysis, forecasts and risk management, ect.

- Train the officials to become able to keep up with the progress of science and technology and apply such knowledge into the actual practices of banking sector, at the same time, equip and provide new skill trainings for the current officials, ensuring that the professional officials of State Bank can apply information technology, have advanced approaches and the ability to suggest and provide advises on developing policies and implementing state management regarding the monetary, credit and banking operations, with the aim to satisfy the requirements of the economy in the context of deep international economic integration and strong development of science and technology; strengthen personal autonomy and responsibilities; build up information technology staff who are professionally qualified, satisfy the management requirements and being in charge of modern technology system.

- Enhance cooperation and make the most of the supports, technology transfer and professional trainings from international organizations such as World Bank, International Monetary Fund, Japan International Cooperation Agency, Asian Development Bank and other central banks in developed countries, etc, in order to improve the qualifications, experiences and professional skills of banking officials, employees and management staff.

- Develop and carry out the strategy for developing banking human resources by 2025 and vision to 2030.

10. Enhance international cooperation and promote the process of international banking integration.

a. Continue implementing the Party's and Government's resolution on international integration. Cooperate with relevant ministries and agencies in implementing effectively the Resolution No. 06-NQ/TW.

b. Continue implementing the commitments in financial and banking sectors as prescribed in the free trade agreements to which Vietnam is a signatory.

c. Expand the relations of multi-lateral cooperation and promoting scale of actions under ASEAN, ASEAN+3, SEACEN, ASEM, APEC and under other fora which are created for exchanging views on financial and banking sector and financial inclusion, etc; maintain, develop and enhance bilateral cooperation with central banks, monetary authority or banks in regional countries and in the world; participate in government's bilateral cooperation fora (Joint Committee/ International Panel) in order to promote the cooperation in banking sector and provide favorable conditions for commercial and investment activities between Vietnam and foreign partners; enhance the efficiency and deep development of the relations between Vietnam and traditional partners, at the same time, expand the relations with new partners in order to enhance the diplomatic efficiency in banking sector.

d. Improve Vietnam's relations and raise the State Bank's voice and position in financial, monetary and banking organizations in the world or in regional or international fora and with other international partners by having the State Bank completing its role as the representative for Vietnam's government and enhancing the relations between Vietnam and international monetary organizations or international banking organizations; participate in the activities for developing the policies, innovations, capital raising programs, system restructuring and banking reform of monetary organizations and international banks, with the aim to raise the position of Vietnam to a higher level.

dd. Mobilize and use effectively international partners' financial and technical resources for contributing in the socio-economic development of Vietnam in general and of the banks in particular; take the initiative in searching for new partners to join the institutions and participate in financial and monetary fora in the regional countries or worldwide, with the aim to strengthen financial and technical resources to serve the national development.

e. Take and share information with international financial institutions, international monetary institutions and central banks worldwide in order to provide timely measures for handling financial difficulties and risks.

g. Improve the ability to participate in international integration and prepare human, technical and management resources that satisfy the international requirements, with the aim to introduce qualified employees to work in international organizations.

11. Strengthen and improve the efficiency of State bank's communication activities:

Develop the State Bank's communication plan in each period in order to make the policy administration process more transparent, raise public awareness and increase public trust in the banking system.

III. CERTAIN PROJECTS, SECTORAL STRATEGIES, IMPLEMENTATION SCHEMES AND ROAD MAP

Together with the sectoral strategies and schemes which have been promulgated, the State Bank shall also focus on developing and implementing the following law projects, sectoral strategies and schemes:

1. Develop and send the law projects, sectoral strategies and schemes to the competent authorities (details are specified in the Appendix hereto)

a. From 2018 to 2020:

- The Law Project on amending the Law on Credit Institutions (compositions of financial cooperation).

- Groups of sectoral strategies:

(1) Strategy for developing deposit insurance by 2025 and vision to 2030.

(2) National strategy for financial inclusion.

- Groups of schemes:

The schemes focus on the solutions for limiting the use of gold as a currency in the economy in order to convert the gold resources into cash and use them for the socio-economic development from 2018 to 2020.

(2) Schemes for restricting the dollarization in the economy by 2020 and vision to 2030.

(2) Framework scheme for preparing resources, assigning and recommending representatives to participate in the study, task, research, secondment and exchange of officials in the international banking financial institutions, during the periods from 2018 to 2020 and from 2020 to 2030.

b. From 2021 to 2025: Develop and implement 03 law projects, to be specific:

(1) Law projects on payment systems.

(2) The law projects on amending certain articles of the Law on Deposit Insurance.

(3) The law projects on amending certain articles of the Law on Vietnam State Bank.

2. The schemes are under the approval decisions of the Governor of the State Bank:

Based on the tasks and solutions mentioned in this strategy, the State Bank shall take the initiative to specify relevant schemes, which are under the approval decisions of the Governor of the State Bank, in the action program of banking sector and implement these schemes in order to achieve the strategy objectives.

Article 2. Implementation

1. The State Bank shall take charge and cooperate with the relevant ministries, sectors and agencies to:

a. Develop action programs to implement the contents of this strategy in each period.

b. Provide guidance, carry out inspection, supervision and evaluation for this strategy's implementation process, and send an annual report to the Prime Minister; organize a preliminary (in 2020, 2025) and organize a review (in 2030) with the aim to learn from the experience of the implementation of strategy's tasks, solutions and objectives in each period.

c. Cooperate with the Ministry of Finance and Ministry of Planning and Investment to send the charter capital increase plan of commercial banks, of which more than 50% charter capital is held by the State by 2020, to the Prime Minister in order to fully satisfy the capital requirements according to Basel II standards.

d. Cooperate with the Ministry of Justice and relevant ministries and sectors to develop and promulgate the Law on amending the Law on State Bank and the Law on Financial Cooperations; and the Law on Payment System.

dd. Cooperate with the Ministry of Finance and relevant ministries and sectors to develop the mechanism for cooperation and information sharing, while supervising the credit institutions' operation and financial system.

e. Provide consultancy for the Prime Minister and submit to him the decision on adjusting the objectives and contents of this Strategy if necessary.

2. The Ministry of Planning and Investment shall take charge and cooperate with the Ministry of Finance to allocate the resources for implementing this Strategy as specified in the regulations of the Law on State Budget.

3. The Ministry of Finance shall take charge and cooperate with relevant ministries, sectors and agencies in charge of the state-owned enterprises and the credit institutions to:

a. Cooperate with the State Bank and Ministry of Planning and Investment to balance and allocate the resources for increasing the charter capital of state commercial banks as prescribed in the approved charter capital increase plan to 2020.

b. Conduct research on and improve the legal framework for the business of selling and purchasing debts of enterprises; and the legal framework for the establishment, development and management of the bond market.

c. Cooperate with the ministries, sectors and localities to conduct research on and develop the road map, at the same time allocate resources to handle bad debts that are related to the arrears from state budget or provincial budget, the bad debts arise from the lending activities under project programs and the decision of the Government and Prime Minister and the debts that are guaranteed by the Government.

d. Cooperate with the ministries, sectors, State Bank, agencies in charge of state enterprises, and agencies or credit institutions that are related to the plan on handling bad debts thoroughly.

dd. Conduct research on and develop the legal framework for the debt securitization, contributing in creating a legal basis for the transactions on stock market and the conversion of bad debts to securities, with the aim to make the transactions more transparent at an appropriate time.

e. Develop legislative document on the power and responsibilities of relevant units in developing fiscal policy, public debt management and other macro policies.

g. Cooperate with the State Bank to link the securities settlement system with the interbank electronic payment system and prepare final accounts for the interbank securities transactions at the State Bank.

4. Ministry of Natural Resources and Environment shall take charge, conduct a research and amend the regulations of the Law on Land, with the aim to solve the problems that arise from the receiving of collateral which is the land use rights of the organizations other than credit institutions.

5. Ministry of Information and Communications shall take charge and cooperate with the State Bank, People's Committees of provinces and central affiliated cities, relevant ministries, agencies and organizations to develop and implement the plan on disseminating this Strategy and the monetary and banking policies.

6. The People's Committee of provinces and central affiliated cities shall cooperate with the State Bank in implementing this Strategy; ensure a consistent and synchronous cooperation in implementing the socio-economic development plan of sectors and localities.

Article 3. This Decision shall come into effect from the date of signing.

Article 4. Governor of the State bank of Vietnam, Ministers, Heads of ministerial agencies, Heads of governmental agencies, Chair-persons of People's Committees of provinces and central affiliated cities, and Chair-persons and General Directors of credit institutions shall implement this Decision.

PRIME MINISTER

Nguyen Xuan Phuc

APPENDIX

LIST OF PROGRAMS, SCHEMES, PROJECTS AND STRATEGIES THAT ARE NOT UNDER THE APPROVAL DECISION OF THE GOVERNOR
(Enclosed with the Decision No. 986/QĐ-TTg dated August 08, 2018 of the Prime Minister)

No.	Names of the programs/schemes/projects/sectoral strategies	Units in charge	Cooperative units	Results	Completion date
1	The law on amending certain articles of the Law on Deposit Insurance	State Bank	Ministry of Justice, Ministry of Finance and relevant units	Law Project on Deposit Insurance	2021 - 2025
2	Law on Payment Systems	State Bank	Ministry of Justice, Ministry of Finance and relevant units	Law Project on Payment Systems	2021 - 2025
3	Law on amending the Law on Credit Institutions (compositions of financial corporations)	State Bank	National Financial Supervisory Commission and relevant agencies	The Law Project on amending the Law on Credit Institutions (compositions of financial cooperation).	2018 - 2020
4	Law on amending the Law on	State	Ministry of	Law Project on	2021 - 2025

	Vietnam State Bank	Bank	Justice, Ministry of Finance, National Financial Supervisory Commission and relevant units	amending the Law on Vietnam State Bank	
5	The schemes focus on the solutions for limiting the use of gold as a currency in the economy in order to convert the gold resources into cash and use them for the socio-economic development from 2017 to 2020.	State Bank	Ministry of Finance, Ministry of Industry and Trade, General Statistical Office, Ministry of Science and Technology and relevant units	Approval Decision of the Prime Minister	2018
6	Schemes for restricting the dollarization in the economy by 2020 and vision to 2030.	State Bank	Ministry of Finance, Ministry of Commerce, Ministry of Planning and Investment, Ministry of Public Security, Ministry of Culture, Sports and Tourism, and other relevant units	Approval Decision of the Prime Minister	2018
7	Framework scheme for preparing resources, assigning and recommending representatives to participate in the study, task, research, secondment and exchange of officials in the international banking financial institutions, during the periods from 2018 to 2020 and from 2020 to 2030	State Bank	Ministry of Foreign Affairs, Ministry of Home Affairs and relevant units	Approval Decision of the Prime Minister	2018
8	National strategy for financial inclusion.	State Bank	Ministry of Education and Training, Ministry of	Prime Minister's decision on promulgating	2020

			Finance, Ministry of Foreign Affairs, Ministry of Information and Communications and other relevant units	the National Strategy for Financial Inclusion	
9	Strategy for developing deposit insurance by 2025 and vision to 2030	State Bank	Ministry of Finance and other relevant units	Prime Minister's decision on promulgating the strategy for developing deposit insurance by 2025 and vision to 2030	2018 - 2020
10	Strategy for developing Vietnam Bank for Social Policy from 2021 to 2030	Vietnam Bank for Social Policy	State Bank, Ministry of Finance and other relevant units	Prime Minister's decision on promulgating the strategy for developing the Vietnam Bank for Social Policy from 2021 to 2030	2021

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