

1.9 Banking, Finance and Forex

1.9.1 Banking

Name: Ordinance on the State Bank, and Ordinance on Banks, Credit Cooperatives and Financial Companies.
Agency: Standing Committee of the National Assembly.
Date: October 1, 1990
Details:

These two Ordinances were proclaimed together to completely reform Vietnam's banking system into a structure suitable for a non-centrally planned economy.

Under the Ordinances, the State Bank has been given a role similar to Central Banks in other countries. Specifically, the State Bank controls monetary policy and foreign exchange matters.

Commercial banks are the designated bodies to deal directly with enterprises. Commercial banks include the former State-owned "specialized banks", Joint Venture banks and foreign bank branches (whose presence is encouraged under the Ordinances). The prominent State-owned commercial banks include the Bank of Foreign Trade (Vietcombank), the Industrial and Commercial Bank, and the Bank of Agriculture. In past years, these institutions have not performed well. Vietcombank, in particular, has little credibility in the international financial community. The Ordinances, however, have made the banks much more independent, and it is expected that their performance will improve.

Name: Decree No. 189-HDBT Regulating the Establishment of Foreign Bank Branches and Joint Venture Banks Operating in Vietnam.
Agency: Government.
Date: June 15, 1991.
Details:

As expressed in the October 1990 Ordinances, the Vietnamese Government has opened up to foreign banks. This decision was taken to both provide capital sources for business, and to improve the efficiency of the State banking system through competition. Decree No. 189 regulates the activities of foreign banks. Specifically, the Decree stipulates the application procedures, allowable operations and required finance and accounting systems for foreign bank branches and JV banks in Vietnam.

The Decree appoints the State Bank as the chief administrative body. The State Bank reviews applications and issues licenses, and reviews changes to terms in licenses.

A key consideration is the minimum capital requirement for foreign banks. The allocated operating capital for a foreign branch bank must be no less than US \$15 million. The prescribed capital for a JV bank must be at least US \$10 million (see next entry).

Name: Decision No. 200/QD-NH5 of the State Bank on the Spending of Provided Funds and Regulated Funds of Foreign Bank Branches and Joint Venture Banks
Agency: State Bank of Vietnam
Date: September 23, 1993
Details:

Recall that foreign bank branches must allocate US \$15 million in operating capital, and that JV banks must allocate US \$10 million of prescribed capital. Decision 200 allows both types of banks to spend 25% of their capital allotments to capital investments in, for example, the development of offices, etc.