

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Deposit Insurance of Vietnam (DIV)

1.1.2 Organization Address:

Tower B Vincom, 191 Ba Trieu Street, Hanoi - Vietnam

1.1.3 Organization Telephone No:

84-4 974 2886

1.1.4 Organization Fax No:

84-4 974 2866

1.1.5 Organization Internet Address:

www.div.gov.vn

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Nguyen Linh Nam, Director of Research and Cooperation Development Department, Deposit Insurance of Vietnam

1.2.2 Contact Person(s) Address:

Tower B Vincom, 191 Ba Trieu Street, Hanoi - Vietnam.

1.2.3 Contact Person(s) Telephone:

84-4 974 3187

1.2.4 Contact Person(s) Fax:

84-4 974 2866

1.2.5 Contact Person(s) E-mail address:

nguyen-linh.nam@div.gov.vn

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

No. Deposit Insurance of Vietnam is the unique deposit insurer in Vietnam.

1.3 Please provide information on other participants in your financial system

safety-net:

1.3.1 Name of Central Bank:

The State Bank of Vietnam

1.3.2 Central Bank Address:

49 Ly Thai To Street, Hoan Kiem District, Hanoi – Vietnam.

1.3.3 Central Bank Telephone:

(84-4) 8.242.479 - 9.343.327

1.3.4 Central Bank Fax:

(84-4) 8.268.765

1.3.5 Central Bank Internet Address:

<http://www.sbv.gov.vn>

1.3.6 Central Bank Contact Person:

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Ministry of Finance

1.4.2 Financial Supervisor Address:

28 Tran Hung Dao Street, Hoan Kiem District, Hanoi - Vietnam

1.4.3 Financial Supervisor Telephone:

(84-4) 220 2828

1.4.4 Financial Supervisor Fax:

(84-4) 220. 8091

1.4.5 Financial Supervisor Internet Address and contact:

28 Tran Hung Dao Street, Hoan Kiem District, Hanoi – Vietnam; <http://www.mof.gov.vn>

1.5 Other related entities:

1.5.1 Other Related Entities Name:

The National Financial Supervisory Committee

1.5.2 Other Related Entities Address:

1.5.3 Other Related Entities Telephone:

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

Section 2: Objectives, Mandates & Powers

2.1.1 When and why was the DIS established (please provide details)?

Deposit Insurance of Vietnam (DIV) was officially inaugurated in 7th July 2000. Vietnamese banking system started its reform process in 1988 with increasing competitiveness, potential risks in the banking operations. Moreover, the regional financial and monetary crisis in 1997 has the negative impact to the financial system of Vietnam. These have led to the necessity to consolidate the public confidence in banking. The systemic failures of the people's credit fund system in Vietnam in the early 1990s also raised a necessity to establish a financial institution for protecting the depositors and contributing to maintenance of the stability of the financial system. In that context, DIV is established to protect the legitimate rights of depositors, to provide financial assistance to problem financial institutions, to supervise and prevent risk in banking operations.

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The stated public policy objectives of DIV are to: -Protect the legitimate rights and interests of depositors -Contribute to maintain the stability of insured deposit institutions and ensure the safe and sound development of the banking industry. To this day, DIV has been asserting itself as well as the judicious decision to set up a new financial institution, which is indispensable in the financial system of the country in the context of market economy and regional and international economic integration. DIV has built up The Strategic Development Plan (SDP) for the period of 2007-2010 and vision to 2020 in which it defines to make DIV's model towards full risk-minimizing. Other than the SDP, the draft law on deposit insurance has been under completion by which supplementary objectives will be made, including: -Create of official mechanism to insolvency resolution, -Prevent the financial sector in particular and the economy in general from financial crisis

2.1.3 What process was used to determine these objectives in your country?

Prior to the establishment of DIV, the implicit blanket guarantee had been applied in which the Government of Vietnam had its patronizing policy over banking system. In the transitional process of open-door policy towards the national economy, there occurred various types of new credit institution (joint stock, joint venture, foreign bank branches), from which market-bias competition pushed up an urgent needs on replacing the implicit blanket guarantee with new mechanism. The fall-down of people's credit funds system challenged the financial system that attributed to the establishment of deposit insurance institution to protect legal rights of depositors. Therefore, DIV was set up with its initial public objectives as mentioned above.. DIV, to some extent, has been designated to take responsibilities for financially examining, supervising, supporting.

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation

The Decree No. 89/1999/ND-CP dated 1st September 1999 on deposit insurance; The Degree No. 109/2005/ND-CP dated 24th August 2005 of the Government to amend and supplement a number of articles of the Government's Decree No. 89/1999/ND-CP of September 1, 1999; 3.The Circular No.3/2000/TT-NHNN5 of the State Bank of Vietnam dated 16th March 2000; 4.The Circular No.3/2006/TT-NHNN of the State Bank of Vietnam dated 25th April 2006 provides guidelines for the implementation of the Decree 109; 5.The Decision No.218/1999/QD-TTg of the Prime Minister of November 9, 1999 on the establishment of the Deposit Insurance of Vietnam

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

No

2.1.6 What sort of system do you have?

Government legislated and administered

Pay-box with extended functions. DIV is restructuring towards a risk minimizer

2.1.7 Who makes decisions to pay depositor claims?

DIS

The Board of Directors of DIV

2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

Yes

2.3.2 Set regulations or by-laws for conduct of its business

Yes

See to the response 2.1.4 Re applicable laws. Some guiding documents are decided by The Board of Directors. Meanwhile, the others are decided by the concerned bodies

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

Yes

It has been stipulated in the above-mentioned Decrees. DIV has issued some supplementary documents to instruct the implementation.

2.4.2 Authority to terminate the insured status of a member institution

Yes

DIV has authority to terminate the insured status of a member institution (withdrawing the Deposit Insurance Certificate from that member)

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

However, mechanism and effectiveness to access the information is appreciated to be poor

2.5.3 Use various methods of reimbursing depositors claims

Yes

2.6 Funding

2.6.1 How funding is provided

Yes

The Government of Vietnam granted an amount of VND1000 billion as initial chartered capital

2.6.2 Terms and conditions of premiums or levies

Yes

The flat rate is used by DIV to make collection of deposit insurance premium at 0.15% per annum out of the average deposit balance of deposits insured at such insured organization

2.6.3 Borrowing authorities and limits

Yes

Article 7 of the Charter on Organization and Operation of the Deposit Insurance of Vietnam (Issued attached to Decision No. 75 of June 28, 2000 of the Prime Minister) stipulates that DIV may get loans from credit and other institution to settle temporary capital difficulties. If need be, this borrowing may be guaranteed by the Government. DIV also may borrow or receive the special capital support from the Government in special cases of lacking operational capital

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

However, the quality of reports in Vietnam is reviewed to be poor. In reality, some institutions do not send or send their reports late, attributing to obstacles of risk surveillance and evaluation of DIV

2.7.2 Access to information through supervisory authorities

Yes

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

2.8.2 Ability to set standards or guidelines for member institutions

Yes

But at limited extent and poor effectiveness due to the lack of strong enforcement

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

Yes

But at limit extent

2.8.4 Authority to cancel deposit insurance of a member institution

Yes

DIV has the authority to cancel deposit insurance in the following cases: Insured institution failed to pay insurance premium; Violate the legal regulations on deposit insurance and/or prudential banking. DIV shall issue a decision to terminate the deposit insurance status in respect of that institution and publicize the decision in the mass media

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

Yes

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

No

2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).

Yes

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

2.10 Authority to:

2.10.1 Undertake formal liquidation

Yes

2.10.2 Purchase and assumption (sale and merger)

No

2.10.3 Open assistance (bridge bank)

No

2.10.4 Other forms of failure resolution

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

No

2.11.2 Ability to act as a liquidator

Yes

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Other/Comments

DIV is a state-owned institution, established by the Government. DIV has its independent legal entity, with its own seals. However, in the current development period of DIV, the Government of Vietnam authorizes the SBV to implement some rights on DIV (for instance, Re: operational issues, organizational structure...). DIV has been under construction of the law on deposit insurance and go towards the objective of becoming a totally independent organization. At present, DIV is a member of the National Financial Safety Net.

3.1.2 What is the form of governance used by the DIS organization?

Board of Directors

The Board of Directors and the Board of Management.|null|null|null|null|

3.1.3 How is the governing body selected?

DIV's organizational structure shall be composed of the Board of Directors, the Supervisory Committee and the Board of Management including the General Director and a support team. The Board of Directors are proposed by the SBV Governor and the Minister of Home Affairs to submit to the Prime Minister the appointment, dismissal, rewards or penalty of members of the Boards of Directors and the General Director. The appointment, dismissal, rewards or penalty of the Deputy General Direct(s) of DIV are submitted to the SBV Governor.

3.1.4 What is the composition of the governing body?

The Board of Directors of DIV shall be composed of 5 members, including 3 full-time members namely the Chairman, the General Director and the head of Supervisory Committee; and 2 non-standing members namely a Vice Minister of Finance and a Deputy Governor of the State Bank of Vietnam

3.1.5 What are the duties and responsibilities of the governing body?

The Board of Directors shall perform the management function and take responsibility for annual operations of DIV as regulated by the charter that is approved by the Prime Minister. The Board of Management in which the General Director shall be obliged to organize the performance of tasks and powers of the Board as prescribed as follows: -To receive capital (including debts), land and other resources allocated by the State to manage and use for the set objectives. -To work out DIV's deposit insurance development strategy and annual action plan, projects -To administer DIV's operations and take responsibilities for its operational results -To manage DIV's operations in accordance with the resolutions and decisions of the Board of Directors; and to report to the Board of Directors, and the relevant authorities on DIV's operational results. -To exercise other rights as prescribed by law.

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

No

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

Yes

3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?

Yes

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

Yes

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

No

3.1.11 Please provide a breakdown of the management structure of the DIS

DIV's organizational structure shall be composed of the Board of Directors, The Supervisory Committee and the Board of Management including the General Director and a support team.

3.1.12 Do you have an internal control and audit systems

Yes

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

Yes

3.1.14 Is there an advisory committee to the DIS?

No

3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?

No

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Annual Reports

Annual Reports, Audited Financial Statements, Other Reporting Requirements. Other than these, there mentioned the supervising report of the insured institution (quarterly and annually)|null|null|null|

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

DIV presently has 600 full-time employees. 2 persons as members of the Board of Directors namely a Vice Minister of Finance and a Deputy Governor of the State Bank of Vietnam are part-time staff.

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Yes

All of DIV employees are dedicated staff. But some key persons who come from the State Bank of Vietnam, Ministry of Finance selected by the Prime Minister to join DIV as the members of the Board of Directors.

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

DIV has put in place the following types of trainings: -Co-organizing trainings with domestic education & training organizations on professionals, management skills etc..., -Assignment of staff to short-term and mid-term trainings in domestic and abroad, Training on the job, Others

4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)

Yes

Numerous in-house training courses, workshops, conferences, and forums are conducted by the deposit insurance of Vietnam as deposit insurer, and authorized supervisor by the government (State Bank of Vietnam), partners (VCCI, VNBA, VIS...), and regulators (Government of Vietnam). These activities are aimed at capacity building, information sharing & exchange with very broad and various aspects of supervision, direction, regulation, provision etc... of deposit insurance. Recent examples of shared training courses, workshops, conferences and forums involve asset-liability management and risk assessment.

However, the co-operation in training activities is currently limited and leads to less effectiveness.

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

3

DIV gradually implement the policy on talent attraction and position safeguard. However, DIV, to some extent, have compulsory salary mechanism and limited financial resource in comparing with that of the current market

4.1.6 Are confidentiality provisions for employees provided for?

Yes

All employees are required to keep secret & important unshared information of DIV when hired. All employees must also read, understand and abide by the Code of Conduct (Corporate Culture).

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

No

DIV proposed to bring this issue into the draft law of deposit insurance

4.1.8 What percentage of the budget is spent on training and development and information technology?

Based on the figures as of Dec. 2007: -Training and development takes up 2.2% of DIV's operating expenses -IT spending makes up approximately 7.9%

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

5.1.1 Who performs examinations of DIS member institutions?

Other

DIV and SBV (central bank)

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

The DIV have the authority of conducting on-site and off-site examination. The examination of DIV has been conducted at 2 degrees: i) prudential examination; and ii) examination on compliance of DIV's regulations and applicable laws. DIV could execute examinations periodically or unscheduled in necessary cases. These special examinations typically occur when there are concerns about the soundness of a member institution.

5.1.3 What information is collected from member institutions for the DIS and other parties?

DIV receives extensive reports from its member institutions. Members are required to file electronically some financial reports on a regular basis (i.e.: monthly, quarterly, annually). Members are to provide information to DIV following the regulated charter on organization and operation of the DIV and in line with the degrees, by-laws documents and other applicable regulations. The insured institutions shall be obliged to submit to the DIV the following reports: a. For the credit institutions: Deposit insurance premium calculation form to be submitted quarterly, quarterly, semiannual and annual balance sheets; semiannual and annual performance reports; other reports requested by the Deposit insurance of Vietnam; b. For the non-credit institutions: Deposit insurance premium calculation form to be submitted quarterly; quarterly, semiannual and annual balance sheets; evaluation report of supervision/audit authorities on personal deposits or other related reports (if any); other reports requested by the Deposit Insurance of Vietnam; In addition, the insured institutions shall immediately report to the Deposit Insurance of Vietnam in the following cases: -The insured institutions face solvency problem: total solvent deficit to need solution;

causes of the problem; composition of the insured deposits; expected consequences of the problem and remedial measures; recommendations to the Deposit Insurance of Vietnam and other relevant authorities.
-The changes of member(s) of the Board of Directors, the Supervisory Committee and the General Director (Director). In addition, the insured non-credit institutions shall report to the Deposit Insurance of Vietnam the following cases: changes of their operational strategy and direction of the main business lines relating to deposit mobilization of the institutions and their line agencies; difficulties arising due to unforeseen risks;

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.

At present, there lacks of a formal mechanism of information exchange among players in the National Financial Safety Net. Provisions on this issue are stipulated widespread in various applicable laws. There is no MOU or official commitment made upon agreement among the net's members.

5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.

5.2.1 accessibility

3

5.2.2 timeliness

3

5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Other

Not yet. This is the result of the lack of formal receivership and resolution mechanism in Vietnam

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

Other

null|null|Deposit insurance of Vietnam and State Bank of Vietnam and other relevant governmental bodies|

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

Yes

5.2.6 How often do you contact other DIS?

Regularly

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

Yes

But very limited

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

In Vietnam, membership in a deposit-protection scheme is mandatory and compulsory for all deposit-taking institutions. Following is the list of various types of insured institutions in Vietnam: -State-owned commercial banks -Joint-venture banks -Foreign bank branches -Joint-stock banks -Financial companies -Financial leasing companies -People's credit funds -Central people's credit fund

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.

Yes (please explain)

The Circular No.3/2000/TT-NHNN5 of the SBV dated 16th March 2000 providing guidelines for the implementation of the Decree No. 89/1999/ND-CP dated 1st September 1999 and the Decree No. 109/2005/ND-CP dated 24th August 2005 of the Government on Deposit Insurance in Vietnam stipulates terms and conditions of membership imposed on institution by the DIS: Deposit insurance registration document includes: (a) Deposit insurance application form; (b) Notarized copies of legal and operational records of the insured institutions grouping Decision or license of establishment issued by the relevant State authorities; Charter of organization and operations; List of members of the Board of Directors, the General Director (Director) and the Supervisory Committee; Certificate of business registration; Financial statements of the previous 3 years (or the most recent years for those institutions which have been operating for less than 3 years) verified by the relevant State authorities or by auditors accepted by the State Bank of Vietnam. For those non-credit institutions allowed to carry out certain banking operations, they shall attach the Charters or Regulations of organization and operation of their parent or governing institutions.

6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

Yes

Foreign institutions are covered in the same way as domestic institutions

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

N/A

6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?

6.1.7 How many member institutions do you have?

DIV have 1029 member institutions as of Dec. 2007, including: -05 state-owned commercial banks -34 joint-stock banks -32 foreign bank branches -5 joint-venture banks -10 financial companies and financial leasing companies -01 Central People's credit fund -942 people's credit funds

6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

The figure as of Dec. 2007: -Total member assets 1,127,053 billion VND (appx. 70 billion USD). -Total deposits 835,898 billion VND (appx. 52 billion USD). -Total insured deposits 320,918 billion VND (appx. 20 billion USD).

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

Yes (please explain)

Insured deposits are those in Vietnam dong deposited at insured organizations by individuals, households, cooperative teams, private enterprises and partnerships

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Certificates of deposit

null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

7.1.4 What is the coverage limit per depositor?

The maximum deposit insurance coverage for all deposits (including principal and interest) of an individual at an insured institution shall be VND 50 million (3,100 USD).

7.1.5 How was this figures arrived at?

The maximum deposit insurance coverage was made based on: - It is 4- 5 times higher than the GDP per capital per annum in Vietnam - It can protect the majority of depositors (about 90% of the deposit accounts according to DIV's survey before the enactment of Decree 109)

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

N/A

7.1.7 What types of depositors are not eligible for coverage in your DIS?

Other

null|null|null|null|All depositors who have insured deposits are eligible for coverage, except for the following cases: holding more than 10% of the voting share capital of such insured organizations; Deposits of members of Managing Boards or Control Boards, general directors (directors) or deputy general directors (deputy directors) of such insured organizations; Deposits used as security for the performance of depositors' obligations; Deposits used for the purchase of valuable papers, excluding those of several kinds under the guidance of the Vietnam State Bank."|

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

N/A

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

No

7.1.11 Is the public widely aware of the presence of coinsurance?

other

N/A

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.

No

7.1.14 How is a decision made on the insurance eligibility of new financial products?

N/A

7.1.15 When member institutions merge how are insured deposits treated?

As two or more insured institutions merge with each other, insured deposits with acquired institutions remain to be covered. After merger completes, the acquirer becomes the only legal alternative insured institution and therefore, deposits with previously different insured institutions are not separately insured any longer.

7.2 Does your country offer the following?

7.2.1 Islamic banking

No

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

Ex-ante (defined as the accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution).

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Premium assessment

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

DIV has a flat rate system.

8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.

The current premium rate is 0.15% per annum calculated on the average balance of insured deposits.

8.1.5 How often is the premium assessed?

The premium is assessed quarterly

8.1.6 Is the premium assessed on total deposits, insured deposits or something else?

Other

The premium assessed on total average insured deposits

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

Yes

8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

N/A

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

Yes (Go to next question)

The target fund for DIV range from 3% to 5% of total insured deposits

8.1.10 How is the optimum level (i.e. target) of the fund determined?

The optimum level of fund is determined in such a manner that ensures the legitimate rights and interests of depositors are step by step protected and improved in parallel with national budget will be not affected by failed depositories and financial intermediaries will be further developed in a safe and sound manner.

-Pursuant to the International practices on target fund for countries like Vietnam, -Pursuant to the real risk level of the banking system in Vietnam

8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

Item 8, Article 7, Charter on Organization and operation of the Deposit Insurance of Vietnam stipulates DIV may buy Government bonds, and bills and bonds of the State Bank of Vietnam and State-owned credit institutions; deposit money with the State Treasury, the State Bank of Vietnam and State-own credit institutions for capital adequacy and self-financing. The investment of its idle capital in the above mentioned bonds and bills shall be decided by DIV's Board of Directors.

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

No

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

Other please explain

null|null|Where the working capital of deposit insurers is temporarily inadequate to provide support to insured organizations meeting with solvency difficulties or to pay insurance money to depositors at insured organizations which are forced to dissolve due to their insolvency or become bankrupt according to applicable laws deposit insurers may mobilize capital in receiving loans or special support capital from the Government; Issuing bonds according to the provisions of applicable laws and regulations; and getting loans from credit institutions or other organizations under the Government's guarantee.|

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

Other

N/A

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

When an insured institution is ordered in writing by the relevant authorities to terminate its operation and become insolvent, the Deposit Insurance of Vietnam shall make payment of insurance to the depositors in the following procedures: -Insured institutions to establish the list of depositors and submit to the Deposit Insurance of Vietnam within 15 days after the State Bank of Vietnam ordered in writing to stop the institution from taking deposits; -Upon the reception of the list of depositors, the Deposit Insurance of Vietnam shall check the list of depositors and their corresponding amounts to be paid by the Deposit Insurance of Vietnam; -The Deposit Insurance of Vietnam shall submit to the Board of Directors for approval as the foundation for the process of payment; Following the approval of the Board of Directors, the deposit Insurance of Vietnam shall immediately publicize the insurance payment plan in the mass media. . The deposit amount (including principal and interest), which is in excess of the maximum coverage of VND 50 million (3,100 USD) of the Deposit Insurance Institution, shall be paid to the depositors in the process of liquidation of the insured institution's assets in accordance with the Bankruptcy Law.

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

No

9.1.3 When is the DIS obligated to reimburse insured depositors?

DIV is obligated to make a payment to insured depositors on the principles regulated by applicable laws in respect of a deposit-taking institution. DIV is obligated to reimburse depositors as quickly as possible. Concretely, the DIV shall be obliged to display the announcement and the list of insurance beneficiaries at the head offices and branches of the insured institution which are declared to terminate operations and at the head office, branches and representative offices of the DIV. Following the completion of the procedures as mentioned in 9.1.1, the DIV shall make the insurance payment to the depositors at their registered venues within 15 days. For the other cases, such as changing of the registered venue of insurance collection shall be informed to the deposit insurance of Vietnam, within 15 working days from the date of receiving the information, the deposit insurance of Vietnam shall make the payment. See response to # 9.1.1

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

Yes

See response to #9.

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

Other

See response to # 9.1.1

9.1.6 What methods of payment can be used and under what circumstances are they used?

The payment of insured deposits to the depositors shall be made at banks or under the agreement with the depositors. Depositors may choose one of the following methods of payment: cash or account transfer. DIV can directly pay to depositors or authorize the third party (bank) to make insurance payment to depositor(s).

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Other

N/A

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

N/A

9.1.9 When is the DIS given access to an institutions financial and depositor records?

-When DIV conducts onsite examinations towards insured institutions -When DIV conducts insurance payment to insured depositors at failed insured institutions

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

No

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

No

9.1.12 What information is communicated to depositors regarding the reimbursement process?

See further response to#9

9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

N.A

9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?

See further response to#9

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

DIV shall execute the on-site examination of the institutions to ensure the accuracy, up-to-date and accessibility of the depositors records.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Yes

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

Computer system, software for management and calculation of insurance payment

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

As part of its objectives, mandate and vision to provide deposit insurance and contribute towards the stability of the financial system, DIV is responsible for enhancing consumer awareness about deposit insurance in Vietnam.

10.1.2 Who is responsible for communicating information about the DIS to the

general public?

Other

null|null|null|null|PR Dept. of DIV with the approval of the Board of Management of DIV|

10.1.3 Are these explicitly stated in policy or law?

Yes

Applicable regulations and by-laws documents. However, it is limited to some extent

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Brochures, Use of Official Sign to display insured status, Website, Other

null|null|null|null|Brochures, deposit insurance certificate (use of official sign to display insured status) , website, other. |

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

To avoid getting into a panic, information of the insolvent or failed banks are kept secretly. Meanwhile information of examination, monitoring and risk profile are sealed among supervisors.

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

But it is the quick survey

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Yes

At present, DIV is under preparation of the PAP (Public Awareness Program) with support from World Bank in Vietnam. The other program is on Banking & financial knowledge Awareness for the adult.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

The objectives of PR activities are to: -Get the DIV's targets set -Introduce the image of DIV to public with strong confidence Target audience: -Regulators -NA delegates -The insured institutions -Depositors -Public

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

Yes

Presently, DIV has two functional Departments to carry out its supervising activities. Based on the supervision data and data provided from the SBV, DIV produces quarterly supervision report on performance of banking system in Vietnam in which the potential risks of insured institution are analyzed and assessed. The reports are provided to the National Financial Safety Net players, and related authorities in Vietnam.

11.1.2 Does the DIS perform examinations of its member institutions? If not, who

does?

Yes

The on-site examination is done by DIV to aim at: Evaluating risks of activities of the insured institutions (in coordination with the supervision departments); -Evaluating compliance to regulations relative to deposit insurance performing.

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?

Yes

There are two sources of information to provide DIV: (1) the one is directly provided by the insured institutions, and (2) the other is coming from exchanging and sharing with The State Bank of Vietnam (The Central Bank). The DIV receives deposit insurance premium calculation form to be submitted quarterly, quarterly, semi-annual and annual balance sheets, semi-annual and annual performance reports, other reports requested by the DIV, and evaluation report of supervision/ audit authorities on personal deposits or other related reports from credit and non-credit institutions. In the case that the insured institutions face solvency problems or changes of member(s) of the Board of Directors, the Supervisory Committee and the General Director, changes of their operational strategy and direction of the main business lines relating to deposit mobilization of the institutions and their line agencies, difficulties arising due to unforeseen risks, these institutions are requested to send report to DIV. In addition, within 90 days from the end of the fiscal year, the insured institutions shall submit to the DIV the annual balance sheet varied by the relevant authorities or auditors accepted by the State Bank of Vietnam as well as profit & loss statement.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

DIV is conducting its supervision activities and risk assessment of insured institutions based on CAEL(Letter M- Management of CAMEL model has not yet been applied on appropriate indicators), specifically: a)Capital: -Equity capital/ risk-weighted assets -Capital tier 1/risk-weighted assets -Total assets/equity capital b)Quality of the assets: -Bad loans/total liabilities -Overdue loans/total liabilities -Performing Assets/total liabilities c)Profitability -ROA -ROE -Income from other than interest/total income -Expenses/Income d)Liquidity: -Growth rate of fund mobilized comparing with the growth rate of credit -Ratio of short term deposits utilized to extend medium and long term loans. -Total liquidity assets/total assets e)Other risks: f)Net open position in foreign exchange to equity capital.

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

The applicable regulations relating to deposit insurance in Vietnam define the following actions taken by the DIS where member institutions are causing concerns: -Violation of the prudential banking regulations: If the DIV finds out that the insured institution has violate the prudential banking regulations, deposit insurance discipline and other provisions of applicable laws, the DIV may request the institution to take immediate remedial measures and at the same time, report in writing to the SBV for monitoring and corrective measures; -Risk of insolvency: Where the DIV deems that an insured institution may risk insolvency and great loss of capital and assets or may cause serious impact on other credit institutions, the DIV shall report to the SBV and, at the same time, request the institution to take remedial measures. Support and actions of the DIV vis-à-vis those insured institutions risking insolvency: Where an insured institution is in danger of insolvency but not to the extent of being placed under special control, if the continuation of its operations is considered to play an important role in maintaining the safety of whole system and the political, socio-economic stability, the Deposit Insurance of Vietnam may support the institution in the following ways: 1.Extending loans for the purpose of paying insured deposits; 2.Providing guarantee for special loans to the insured institution for a purpose of paying insured deposits; 3.Buying back the insured institution's guaranteed debts. The above mentioned support shall be considered and decided by the Board of Directors of the Deposit Insurance of Vietnam on the basis of the regulations of the Governor of the State Bank of Vietnam on refinancing, guarantee and repurchase of debts.

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

Yes

When an insured institution goes bankrupt, the Deposit Insurance of Vietnam shall become the creditor of the insured institution for the amount paid by the Deposit Insurance of Vietnam to the insured depositors and may participate in the process of receivership and liquidation of the insured institution. The process from liquidation of the bankrupt insured institution shall be added to the operating capital of the Deposit Insurance of Vietnam.

12.1.2 Who determines whether a member institution has failed or is insolvent?

The State Bank of Vietnam (as the authorized organization by the Prime Minister) will be obliged to determine whether a member institution has failed or is insolvent at DIV's advice. Before the process, where an insured institution is in danger of insolvency but not to the extent of being replaced under special control, if the continuation of its operation is considered to play an important role in maintaining the safety of whole system and the political, socio-economic stability, the deposit Insurance of Vietnam may support the institution in extending loans for the purpose of paying insured deposits; providing guarantee for special loans to the insured institution for a purpose of paying insured deposits; buying back the insured institution's guaranteed debts.

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

The Deposit insurance of Vietnam terminates the deposit certificate in the following cases: 1) If after 90 days (including weekends and holidays) from the premium payment deadline as stipulated in applicable law/ regulation on Deposit insurance premium, any insured institution still fails to pay the full premium. Thus, the DIV shall take the following actions: -Issue a decision to terminate the deposit insurance status and publicize the decision in the mass-media; -Request the State Bank of Vietnam to issue a decision to stop the mobilization of deposits from individuals by such insured institution. 2) Insured institutions violate applicable laws on prudential banking, deposit insurance.

12.1.4 How is the failure/non viability of a member institution determined?

As mentioned above, DIV works closely with the Supervision Department of the State Bank of Vietnam to get prompt knowledge of banking operations of the insured institution and is aware of an institution that is experiencing difficulties. DIV views a situation where a member institution is no longer financially viable or its insolvency is fast approaching as to be in a situation of imminent failure.

12.1.5 How many member institutions have failed in your country in the last 20 years?

35 people's credit funds

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

Other

There has been presently no official and separate mechanism of resolving the failed banks

12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?

Other

N/A

12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.

12.2.1 Formal liquidation

Yes

12.2.2 Purchase and assumption (sale and merger)

Other
Not yet

12.2.3 Open bank assistance (e.g. recapitalization)

Other
Not yet

12.2.4 Bridge banks and other interim solutions

Other
Not yet

12.2.5 What criteria are used to determine the method of failure resolution?

N/A

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Yes

In case of bankruptcy, the insured institutions will be dealt with in the most efficient way in conformity with laws. The assets taken over from such institutions will be managed and sold out at the highest possible prices. The deposits, assets and other liabilities and obligations will be handled in an equal and efficient way.

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

N.A

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

DIV may participate in the process of receivership and liquidation of the insured institution. Of course, DIV shall become the creditor of the insured institution for the amount paid by the DIV to the insured depositors where an insured institution goes bankrupt. The proceeds from liquidation of the bankrupt insured institution shall be added to the operating capital of the DIV.

13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?

The first-and-foremost objective is to maintain the stability of financial system, prevent from bank crisis. DIV's goal is to optimize recoveries on its claims from the assets in the estates and to minimize its exposure to loss as a result of providing financial assistance and guarantees.

13.1.3 What role does the private sector play in the claims, recovery process?

N/A

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

N/A

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

N/A

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

NPLs of failed people's credit funds due to the fact that their debtors were insolvent and/or run away.
Solutions: closely following up the recoveries in accordance with applicable laws.

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)

Yes

13.1.9 Are rights of set-off available or imposed in your country's legal system? Please describe the various forms set-off can take.

Other

N/A

Section 14: Other Issues

14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

The tendency of globalization and strong commitments of the Vietnamese Government in joining WTO, ASEAN, AFTA forum and other bilateral cooperation agreements have addressed to the Vietnamese financial field as a whole and banking sector in a part, the challenges of adopting international compliance and operational standards. Thus DIV will have to restructure its organization and expand its operations under a long-term roadmap to meet the requirements of integration. The rapid development of banking and financial sector has implicitly contained a highly risk and unstable elements that requires DIV to map out a new and continuous long-term development strategy in order to safeguard the national financial system and legitimate rights of depositors as well as the financial resources assigned to DIV by the Government. DIV should also actively conduct risk assessment and risk management toward insured institutions and conduct the receivership and resolution to contribute prevent the financial crisis. Moreover, the IT revolution has involved drastic changes in management models, operational procedures and business philosophy of any financial institution. Therefore, DIV needs to plan an IT strategy for the long-run in order to optimize its operation and to meet requirements of depository institutions.

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

-Risk assessment and supervision (techniques, approaches, methods, interrelationship among Safety net Player to enhance the effectiveness of supervision) -Receivership and Resolution -Cross border issues

