

THE NATIONAL ASSEMBLY

SOCIALIST REPUBLIC OF VIET NAM

Independence - Freedom – Happiness

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LAW

ON THE STATE BANK OF VIETNAM

*Pursuant to the 1992 Constitution of the Socialist Republic of Vietnam which was amended and supplemented under Resolution No. 51/2001/QH10;
The National Assembly promulgates the Law on the State Bank of Vietnam.*

Chapter I

GENERAL PROVISIONS

Article 1. Scope of regulation

This Law provides for the organization and operation of the State Bank of Vietnam.

Article 2. Position and functions of the State Bank of Vietnam

1. The State Bank of Vietnam (below referred to as the State Bank) is a ministerial-level agency of the Government and the central bank of the Socialist Republic of Vietnam.
2. The State Bank is a legal entity with its legal capital being under the state ownership and its head office located in Hanoi.
3. The State Bank performs the state management of monetary, banking and foreign exchange (below referred to as monetary and banking) operations and performs the function of a central bank in issuing money, a bank of credit institutions and a provider of monetary services for the Government.

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Article 3. National monetary policy and competence to decide on the national monetary policy

1. The national monetary policy consists of national-level decisions on monetary affairs made by competent state agencies, including decisions on the objective of currency value stability which is denoted by the inflation rate and decisions on the use of tools and measures to obtain the set objective.
2. The National Assembly shall decide on annual inflation rate targets by making decisions on consumer price indexes and overseeing the implementation of the national monetary policy.
3. The President shall perform his/her tasks and powers provided by the Constitution and laws in negotiating, concluding and acceding to, in the name of the State of the Socialist Republic of Vietnam, treaties on monetary and banking matters.
4. The Government shall propose the National Assembly to decide on annual inflation rate targets. The Prime Minister or the Governor of the State Bank shall decide on the use of administrative tools and measures to obtain objectives of the national monetary policy according to the Government's regulations.

Article 4. Tasks and powers of the State Bank

1. To conduct operations for the purpose of currency value stability; to assure the safety for banking operations and the system of credit institutions; to assure the safety and effectiveness of the national payment system; and to contribute to accelerating socio-economic development along the socialist orientation.
2. To participate in the elaboration of national socio-economic development strategies and plans.
3. To elaborate banking development strategies for submission to competent state agencies for approval, and organize the implementation of these strategies.
4. To promulgate or propose competent state agencies to promulgate legal documents on monetary and banking matters; to propagate, disseminate and examine legal documents on monetary and banking matters according to its competence.
5. To determine annual inflation rate targets for submission by the Government to the National Assembly for decision, and organize the realization thereof.
6. To organize, regulate and develop the monetary market.
7. To organize a monetary and banking statistics and forecast system; to publicize monetary and banking information according to law.

8. To organize the printing, minting, preservation and transportation of banknotes and coins: and to conduct operations of issuing, withdrawing, replacing and destroying banknotes and coins.
9. To grant, modify, supplement or revoke establishment and operation licenses of credit institutions, licenses for establishing branches of foreign banks, licenses for establishing representative offices of foreign credit institutions and other foreign organizations with banking operations; to grant or revoke licenses for provision of intermediary payment services for non-bank institutions; to grant or revoke licenses for provision of credit information services to organizations: to approve the acquisition, sale, division, splitting, consolidation, merger and dissolution of credit institutions according to law.
10. To act as the representative of the state capital portions in enterprises performing its functions and tasks and in credit institutions with state capital according to law; to use its legal capital to contribute capital for establishing special enterprises to perform its functions and tasks under the Prime Minister's decision.
11. To examine, inspect and supervise banks: to handle violations of the monetary and banking laws.
12. To decide on the application of special handling measures to credit institutions which commit severe violations of the monetary and banking law-s or meet with financial difficulties, posing a threat to the safety of the banking system. These measures include purchasing shares from credit institutions; suspending or removing from post managers or executive officers of credit institutions; deciding on the merger, consolidation or dissolution of credit institutions; placing credit institutions under special control; and performing its tasks and powers as prescribed by the law on bankruptcy of credit institutions.
13. To assume the prime responsibility for. and coordinate with concerned agencies in. formulating and implementing anti-money laundering policies and plans.
14. To perform the state management of deposit insurance according to the law on deposit insurance.
15. To assume the prime responsibility for making, monitoring, forecasting and analyzing the international payment balance.
16. To organize, manage and supervise the national payment system and provide payment services for banks; to participate in organizing and supervising the operation of payment systems in the economy.
17. To perform the state management of foreign exchange, foreign exchange and gold trading activities.
18. To manage state foreign exchange reserves.

19. To manage the borrowing and repayment of foreign loans and the provision of loans to foreign parties and recovery of foreign debts according to law.
20. To assume the prime responsibility for, and coordinate with concerned agencies in, preparing for and conducting the negotiation for and conclusion of treaties with international financial or monetary institutions to which the State Bank acts as a representative and to act as the official representative of the borrower defined in treaties under the assignment or authorization of the President or the Government.
21. To undertake international cooperation in the monetary and banking sector.
22. To represent the State of the Socialist Republic of Vietnam at international monetary and banking institutions.
23. To organize a credit information system and provide credit information services: to perform the state management of credit information providers.
24. To act as an agent and provide banking services for the State Treasury.
25. To join the Ministry of Finance in issuing government bonds and government-guaranteed bonds.
26. To provide professional training in monetary and banking operations; to research and apply banking sciences and technologies.
27. To perform other tasks and exercise other powers provided by law.

Article 5. Responsibilities of ministries, ministerial-level agencies and People's Committees at all levels

Ministries, ministerial-level agencies and People's Committees at all levels shall, within the ambit of their tasks and powers, coordinate with the State Bank in performing the state management of monetary and banking operations.

Article 6. Interpretation of terms

In this Law, the terms below are construed as follows:

1. Banking operation means dealing in and providing on a regular basis one or several of the following operations:
 - a/ Receiving deposits;
 - b/ Extending credits;
 - c/ Providing via-account payment services.

2. Foreign exchange includes:

a/ Currencies of other countries or the common European currency and other common currencies used in international and regional payment (below referred to as foreign currencies):

b/ Payment instruments in foreign currencies, including checks, credit cards, bills of exchange, debentures and other payment instruments:

c/ Valuable papers in foreign currencies, including government bonds, corporate bonds, promissory notes, stocks and other valuable papers;

d/ Gold belonging to state foreign exchange reserves, gold on residents' offshore accounts; and gold bullions, bars, granules or ingots which are brought into or out of Vietnam's territory.

e/ Currency of the Socialist Republic of Vietnam which is brought into or out of Vietnam's territory or used for international payment.

3. Foreign exchange operation means residents' and non-residents' operations in current transactions or capital transactions involving the use of foreign exchange in Vietnam's territory, operations of providing foreign exchange services and other transactions related to foreign exchange.

4. State foreign exchange reserves means assets in foreign exchange which are indicated in the State Bank's balance sheet.

5. Foreign exchange rate of Vietnam dong means the price of a unit of a foreign currency in Vietnam's currency.

6. Monetary market means a place for short-term capital transactions.

7. Short-term transaction means an under-12 month transaction of valuable papers.

8. Valuable paper means a proof evidencing the debt-payment obligation of the issuer towards the owner in a certain duration under the interest payment condition and other conditions.

9. National payment system means an inter-bank payment system organized, managed and operated by the State Bank.

10. Intermediary payment service means an intermediary activity for connecting, transmitting and processing e-data on payment transactions between payment service providers and users.

11. Banking inspection means activities carried out by the State Bank to inspect the observance of the monetary and banking laws by inspected subjects.

12. Banking supervision means activities carried out by the State Bank to collect, synthesize and analyze information on supervised subjects through a information and reporting system so as to

promptly prevent, detect and handle risks to the safety of banking operations, violations of regulations on safety of banking operations and other relevant laws.

Chapter II

ORGANIZATION OF THE STATE BANK

Article 7. Organization of the State Bank

1. The State Bank shall be organized into a centralized and unified system, comprising an executive apparatus and professional units at its head office, branches, representative offices and other attached units.
2. The organizational structure of the State Bank shall be defined by the Government.
3. The organizational structures, tasks and powers of the units of the State Bank shall be defined by the Governor of the State Bank, except the case prescribed in Clause 2. Article 49 of this Law.
4. The Governor of the State Bank shall decide on the establishment and termination of operation of branches, representative offices and consultancy committees and councils for matters related to the functions and tasks of the State Bank; and decide on the establishment and termination of operation of the units of the State Bank operating in such areas as training in banking operations, banking research, information and scientific theories or provision of treasure-related services, banking information technology services, payment services and credit information services according to his/her competence.

Article 8. Leading and managing the State Bank

1. The Governor of the State Bank is a cabinet member, the head and leader of the State Bank who shall take responsibility before the Prime Minister and the National Assembly for the state management in the monetary and banking sector.
2. The Governor of the State Bank has the following tasks and powers:
 - a/ To organize and direct the implementation of the national monetary policy according to his/her competence:
 - b/ To organize and direct the performance of tasks and the exercise of powers of the State Bank according to this Law and other relevant laws;
 - c/ To act as the legal representative of the State Bank.

Article 9. Cadres and civil servants of the State Bank

The recruitment, employment and management of cadres and civil servants of the State Bank must, in principle, comply with the Law on Cadres and Civil Servants. The Prime Minister shall provide for a mechanism on the recruitment of, and policies applicable to, cadres and civil servants of the State Bank in conformity with professional operations of the State Bank.

Chapter III

OPERATIONS OF THE STATE BANK

Section 1. IMPLEMENTATION OF THE NATIONAL MONETARY POLICY

Article 10. Tools for the implementation of the national monetary policy

The Governor of the State Bank shall decide on the use of tools for the implementation of the national monetary policy, including re-financing, interest rates, exchange rates, compulsory reserves, open-market operations and other tools and measures as prescribed by the Government.

Article 11. Re-financing

1. Re-financing means a form of extending credits by the State Bank, aiming to provide short-term capital and payment instruments for credit institutions.
2. The State Bank shall provide for and effect the re-financing to credit institutions in the following forms:
 - a/ Granting loans secured by the pledge of valuable papers;
 - b/ Discounting valuable papers; c/ Other forms.

Article 12. Interest rates

1. The State Bank shall announce the refinancing interest rate, prime interest rate and other interest rates to serve the regulation of the monetary policy and the fight against usury.
2. In case abnormal developments are seen in the monetary market, the State Bank shall provide for a mechanism for regulating interest rates applicable to credit institutions in their relations with others and their clients and in other credit relations.

Article 13. Exchange rates

1. Exchange rates of Vietnam dong shall be determined on the basis of the foreign currency supply and demand in the state-regulated market.
2. The State Bank shall announce exchange rates and decide on the exchange rate regime and management mechanisms.

Article 14. Compulsory reserves

1. Compulsory reserves means a sum of money to be deposited by a credit institution at the State Bank to serve the implementation of the national monetary policy.

2. The State Bank shall provide for the compulsory reserve ratio applicable to each type of credit institution and each kind of deposit at credit institutions to serve the implementation of the national monetary policy.

3. The State Bank shall provide for the payment of interests on compulsory reserve deposits and deposits in excess of compulsory reserves applicable to each type of credit institution and each kind of deposit.

Article 15. Open-market operations

1. The State Bank shall carry out open-market operations through the purchase and sale of valuable papers with credit institutions.

2. The State Bank shall provide for types of valuable papers permitted for trading via open-market operations.

Section 2. ISSUANCE OF BANKNOTES AND COINS

Article 16. Currency unit

The currency unit of the Socialist Republic of Vietnam is "dong", with its national symbol being "d" and international symbol being "VND": one "dong" is equal to ten "hao" and one "hao" is equal to ten "xu".

Article 17. Issuance of banknotes and coins

1. The State Bank is the sole agency entitled to issue banknotes and coins of the Socialist Republic of Vietnam.

2. Banknotes and coins issued by the State Bank are lawful means of payment on the territory of the Socialist Republic of Vietnam.

3. The State Bank shall ensure the sufficient supply of, and an appropriate ratio between, banknotes and coins for the national economy.

4. Banknotes and coins issued for circulation shall be recorded as "debit" of the national economy and balanced by "credit" of the State Bank.

Article 18. Designing, printing, minting, preservation, transportation, distribution and destruction of money

1. The State Bank shall design the denominations, sizes, weights, designs, patterns and other characteristics of banknotes and coins, and submit them to the Prime Minister for approval.
2. The State Bank shall organize the printing, minting, preservation, transportation, distribution and destruction of money.

Article 19. Handling of torn or damaged money

The State Bank shall determine criteria for classification of torn or damaged money; exchange and withdraw money torn or damaged during the circulation process; and not exchange money which are torn or damaged due to acts of sabotage.

Article 20. Withdrawal and replacement of money

The State Bank shall withdraw from circulation types of money which are no longer appropriate and issue other types of money for replacement. The withdrawn money may be changed for others of equivalent value within a time limit prescribed by the State Bank. Beyond this time limit, to-be-withdrawn money will be invalid for circulation.

Article 21. Specimen and souvenir money

The State Bank shall organize the designing, printing, minting and domestic and overseas sale of specimen and souvenir money for collection or other purposes under the Prime Minister's regulations.

Article 22. Promulgation and examination of regulations on money issuance operations

1. The Government shall promulgate regulations on money issuance operations, covering activities of printing, minting, preserving, transporting, distributing, withdrawing, replacing and destroying money, and expenses for the issuance of money.
2. The Ministry of Finance shall examine the printing, minting and destruction of money.

Article 23. Prohibited acts

1. Making counterfeit money: transporting, storing and circulating counterfeit money;
2. Illegally destroying money;
3. Refusing to receive or circulate money issued by the State Bank which are qualified for circulation.
4. Other prohibited acts as prescribed by law.

Section 3. LENDING, GUARANTEE AND PROVISION OF ADVANCES FOR THE STATE BUDGET

Article 24. Lending

1. The State Bank shall provide short-term loans for credit institutions under Point a. Clause 2. Article 11 of this Law.
2. The State Bank shall consider and decide to grant special loans to a credit institution in the following cases:
 - a/ The credit institution falls into insolvency, posing a threat to the stability of the system of credit institutions:
 - b/ The credit institution is likely to fall into insolvency due to another serious incident.
3. The State Bank shall not grant loans to individuals and organizations other than credit institutions specified in Clauses 1 and 2 of this Article.

Article 25. Guarantee

The State Bank shall not provide guarantee for organizations and individuals to borrow loans, except cases of providing guarantee for credit institutions to borrow foreign loans under the Prime Minister's decision.

Article 26. Advances for the state budget The State Bank shall provide advances for the central budget to deal with a temporary deficit in the state budget fund under the Prime Minister's decision. These advance amounts must be refunded within the budgetary year, except special cases which shall be decided by the National Assembly Standing Committee.

Section 4. PAYMENT AND TREASURY OPERATIONS

Article 27. Opening of accounts and conduct of transactions via accounts

1. The State Bank may open accounts at foreign banks, international monetary and banking institutions and conduct transactions via these accounts.
2. The State Bank shall open accounts and conduct transactions for credit institutions.
3. The State Treasury shall open an account at the State Bank. In provinces, centrally run cities, districts, provincial towns and cities without a State Bank's branch, transactions for the State Treasury shall be conducted under the State Banks* regulations.

Article 28. Organization, management, operation and supervision of the national payment system

1. The State Bank shall organize, manage, operate and supervise the national payment system.
2. The State Bank shall manage payment instruments in the national economy.

Article 29. Treasury services

The State Bank shall provide treasury services through the collection and payment of cash for account owners and transportation, counting, classification and disposal of money in circulation.

Article 30. Agency for the State Treasury

The State Bank shall act as an agent for the State Treasury in organizing bidding and in issuing, depositing and making payment for treasury bonds and bills.

Section 5. MANAGEMENT OF FOREIGN EXCHANGE AND FOREIGN EXCHANGE OPERATIONS

Article 31. Tasks and powers of the State Bank in the management of foreign exchange and foreign exchange operations

1. To manage foreign exchange and the use of foreign exchange in Vietnam's territory according to law.
2. To organize and develop a foreign currency market.
3. To grant and withdraw foreign exchange operation permits to/from credit institutions and other institutions conducting foreign exchange operations;
4. To propose the Prime Minister to decide on measures to restrict foreign exchange transactions in order to assure the national financial and monetary security.
5. To organize, manage and participate in the inter-bank foreign currency market.
6. To perform other tasks and exercise other powers regarding the management of foreign exchange and foreign exchange operations under law.

Article 32. Management of state foreign exchange reserves

1. State foreign exchange reserves include:
 - a/ Foreign currencies in cash and foreign-currency deposits on offshore accounts;
 - b/ Securities and other valuable papers in foreign currencies issued by foreign governments, foreign organizations or international organizations;
 - c/ Special drawing rights and reserves at the International Monetary Fund;
 - d/ Gold under the State Bank's management;
 - e/ Other types of foreign exchange owned by the State.

2. The State Bank shall manage state foreign exchange reserves under the law on foreign exchange with a view to implementing the national monetary policy and ensuring international solvency and the conservation of state foreign exchange reserves.
3. The Prime Minister shall decide on the use of state foreign exchange reserves to meet unexpected and urgent needs of the State. In case the use of state foreign exchange reserves leads to a change in the state budget estimates, the Law on the State Budget will apply.
4. The State Bank shall report to the Government on the management of state foreign exchange reserves on a periodical and irregular basis.
5. The Ministry of Finance shall inspect the management of state foreign exchange reserves by the State Bank under the Government's regulations.

Article 33. Foreign exchange operations of the State Bank

The State Bank shall buy and sell foreign exchange on the domestic market for the attainment of objectives of the national monetary policy; buy and sell foreign exchange on international markets and conduct other foreign exchange transactions under the Prime Minister's regulations.

Article 34. Sale and purchase of foreign currencies between state foreign exchange reserves and the state budget

The Prime Minister shall provide for the level of foreign currencies to be retained by the Ministry of Finance from state budget revenues to cover regular foreign-currency expenditures of the state budget. The remaining foreign currency amount shall be sold by the Ministry of Finance to state foreign exchange reserves which are concentrated at the State Bank.

Section 6. INFORMATION AND REPORTING

Article 35. Responsibility to provide information for the State Bank

1. Organizations and individuals shall provide information for the State Bank to serve the formulation of Vietnam's monetary balance sheet, formulation of the payment balance and the assessment and forecast of development trends in the monetary market in service of the formulation and administration of the national monetary policy and the foreign exchange management.
2. Credit institutions shall provide information and statistical data at the request of the State Bank to serve the assessment, inspection and supervision of operations of the system of credit institutions as well as each credit institution.
3. The Governor of the State Bank shall provide for entities required to provide information, the process and scope of information provision, types of to-be-provided information, and the time limit and mode of information provision under Clauses 1 and 2 of this Article.

Article 36. Principles of information provision

The provision of information by organizations and individuals to the State Bank must be carried out in an accurate, truthful, adequate and timely manner.

Article 37. Tasks of the State Bank regarding information activities

I. The State Bank has the following tasks in information activities:

a/ To receive, use, archive, provide and disclose information in accordance with law:

b/ To organize and supervise the provision of credit information relating to clients having relations with credit institutions to these credit institutions:

c/ To guide the provision of information, and urge and examine the provision of information by organizations and individuals under law.

2. The State Bank shall disclose according to its competence the following information:

a/ Monetary and banking guidelines, policies and laws;

b/ The State Bank Governor's executive decisions on the monetary and banking matters;

c/ Actual monetary and banking developments;

d/ Announcements related to the establishment, acquisition, sale, division, splitting, consolidation, merger, bankruptcy or dissolution of credit institutions;

e/ Financial and operational results of the State Bank according to law.

Article 38. Confidentiality of information

1. The State Bank shall elaborate a list of state secrets in the monetary and banking sector and regulations on the change of the degree of confidentiality and the declassification of these secrets for submission to competent state agencies for decision; and protect its secrets and secrets of other organizations and individuals under law.

2. The State Bank may reject organizations' and individuals' requests for the provision on confidential monetary and banking information, except requests of competent state agencies made under law.

3. Cadres and civil servants of the State Bank shall keep confidential information on professional operations of the State Bank and credit institutions and information on deposits of organizations and individuals under law.

Article 39. Monetary statistics, analysis and forecast

The State Bank shall collect information and make statistics on economic, monetary and banking operations at home and abroad for the purposes of research, analysis and forecast of monetary developments in service of the formulation and administration of the national monetary policy.

Article 40. Reporting

1. The Prime Minister shall report or authorize the Governor of the State Bank to report to the National Assembly on the results of annual implementation of the national monetary policy, report and explain matters brought before the National Assembly, the National Assembly Standing Committee or National Assembly agencies; and promptly provide upon request necessary information and documents to National Assembly agencies for overseeing the implementation of the national monetary policy.

2. The State Bank shall report to the Government on:

a/ Monetary and banking developments on a biannual and annual basis;

b/ Audited annual financial statements.

3. The State Bank shall provide ministries and ministerial-level agencies with reports specified by law.

Article 41. Publishing activities

The State Bank shall publish publications on monetary and banking issues under law.

Chapter IV

FINANCE AND ACCOUNTING OF THE STATE BANK

Article 42. Legal capital

The State Bank's legal capital shall be allocated from the state budget. The level of the State Bank's legal capital shall be decided by the Prime Minister.

Article 43. Financial revenues and expenditures

The State Bank's financial revenues and expenditures shall, in principle, be carried out under the Law on the State Budget- The Prime Minister shall provide for breakdowns of financial revenues and expenditures in conformity with particular professional operations of the State Bank.

Article 44. Financial results

Annual financial results of the State Bank shall be determined based on revenues from banking operations and other revenues, after deducting operation expenses and risk provisions.

Article 45. Funds

The State Bank may deduct its annual financial results to set up the following funds:

a/ The fund for the implementation of the national monetary policy;

b/The financial provision fund; c/ Other funds as decided by the Prime Minister.

2. The deduction levels for the setting up and the use of funds specified in Clause 1 of this Article comply with the Prime Minister's regulations.

3. After making deductions to set up funds specified in Clause 1 of this Article, the remainder of the State Bank's financial results shall be remitted into the state budget.

Article 46. Accounting of the State Bank The State Bank shall conduct accounting according to Vietnam's accounting standards and the specific accounting regime applicable to the central bank under the Prime Minister's regulations.

Article 47. Auditing

Annual financial statements of the State Bank shall be audited and certified by the State Audit.

Article 48. Fiscal year

A fiscal year of the State Bank starts on January 1 and ends on December 31 of the calendar year.

Chapter V

BANKING INSPECTION AND SUPERVISION

Article 49. The Banking Inspection and Supervision Agency

1. The Banking Inspection and Supervision Agency is a unit belonging to the State Bank's organizational structure and performing the tasks of banking inspection and supervision and money laundering prevention and combat.

2. The Prime Minister shall specify the organization, tasks and powers of the Banking Inspection and Supervision Agency.

Article 50. Objectives of banking inspection and supervision

Banking inspection and supervision aim to contribute to assuring the safe and sound development of the system of credit institutions and the financial system: to protect lawful rights and interests of money depositors and clients of credit institutions; to maintain and increase public confidence in the system of credit institutions; to ensure the observance of monetary and

banking policies and laws; and to contribute to raising the effectiveness and efficiency of state management in the monetary and banking sector.

Article 51. Principles of banking inspection and supervision

1. Banking inspection and supervision shall be conducted under law in an accurate, objective, truthful, public, democratic and timely manner without impeding normal operations of agencies, organizations and individuals subject to banking inspection and supervision.
2. It is required to combine the inspection and supervision of the observance of monetary and banking policies and laws with the inspection and supervision of risks to operations of entities subject to banking inspection and supervision.
3. Banking inspection and supervision shall be conducted on the principle that all operations of credit institutions must be inspected and supervised.
4. Banking inspection and supervision shall be conducted under this Law and other relevant laws. In case provisions on banking inspection and supervision of this Law are different from those of other laws, provisions of this Law prevail.
5. The Governor of the State Bank shall provide for the order and procedures for banking inspection and supervision.

Article 52. Entities subject to banking inspection

The State Bank shall inspect the following entities:

1. Credit institutions, branches of foreign banks, representative offices of foreign credit institutions and other foreign institutions conducting banking operations. When necessary, the State Bank shall request competent state agencies to inspect or coordinate with it in inspecting subsidiary companies or associated companies of credit institutions:
2. Institutions conducting foreign exchange operations or gold trading activities; organizations engaged in credit information activities; and non-bank institutions providing intermediary payment services.
3. Vietnamese agencies, organizations and individuals and foreign agencies, organizations and individuals in Vietnam regarding the compliance with the monetary and banking laws under the state management of the State Bank.

Article 53. Rights and obligations of entities subject to banking inspection

1. To observe inspection conclusions.
2. To exercise rights and perform obligations as prescribed by law.

Article 54. Grounds for issuance of inspection decisions

An inspection decision shall be issued based on any of the following grounds:

1. Inspection programs or plans:
2. Requests of the Governor of the State Bank:
3. Upon detecting signs of violation of law;
4. Upon occurrence of risks to the operational safety of credit institutions.

Article 55. Contents of banking inspection

1. Inspecting the observance of the monetary and banking laws and the compliance with licenses granted by the State Bank;
2. Considering and assessing the risk degree, risk management capacity and financial status of entities subject to banking inspection.
3. Proposing competent state agencies to amend, supplement or annul existing legal documents or promulgate new ones to meet the requirements of the state management of monetary and banking operations.
4. Proposing and requesting entities subject to banking inspection to take measures to restrict, reduce and handle risks so as to ensure the safety of banking operations and prevent acts which may induce violations of law.
5. Detecting, preventing and handling according to its competence or proposing competent state agencies to handle violations of the monetary and banking laws.

Article 56. Entities subject to banking supervision

The State Bank shall conduct banking supervision of all operations of credit institutions and branches of foreign banks. When necessary, the State Bank shall request competent state agencies to supervise or coordinate with it in supervising subsidiary companies and associated companies of credit institutions.

Article 57. Rights and obligations of entities subject to banking supervision

1. To promptly, adequately and accurately provide information and documents at the request of the Banking Inspection and Supervision Agency; to take responsibility before law for the accuracy and truthfulness of provided information and documents.
2. To report on and explain about risk and operational safety recommendations and warnings issued by the Banking Inspection and Supervision Agency.

3. To comply with the Banking Inspection and Supervision Agency's risk and operational safety recommendations and warnings.

Article 58. Contents of banking supervision

1. Collecting, synthesizing and processing documents, information and data to meet banking supervision requirements.

2. Considering and monitoring the observance of regulations on safety of banking operations and other monetary and banking regulations; the implementation of inspection conclusions, recommendations and handling decisions and recommendations and warnings about banking supervision.

3. Analyzing and assessing financial status, operation, administration, management and risk degree of credit institutions; and annually rank credit institutions.

4. Detecting and giving warnings about risks to the safety of banking operations and threats of violation of the monetary and banking laws.

5. Proposing and recommending measures to prevent and handle risks and violations of law.

Article 59. Handling of entities subject to banking inspection and supervision

1. Entities subject to banking inspection and supervision that violate the monetary and banking laws shall, depending on the nature and severity of their violations, be disciplined, administratively sanctioned or examined for penal liability. If causing damage, they shall pay compensation under law.

2. Depending on the nature and degree of risks, the State Bank shall also apply the following handling measures to entities subject to banking inspection and supervision:

a/ Restricting the distribution of dividends, transfer of shares or transfer of assets;

b/ Restricting the expansion of the scale, scope and areas of operation;

c/ Restricting, terminating or suspending one or several banking operations;

d/ Requesting credit institutions to increase their charter capital to meet prudential requirements in banking operations;

e/ Requesting credit institutions to transfer their charter capital or equity capital; or requesting major shareholders or shareholders holding control or dominant shares to transfer their shares;

f/ Deciding on a credit growth limit applicable to credit institutions in case of necessity so as to ensure the safety for credit institutions and the system of credit institutions;

g/ Applying one or several prudential ratios higher than the prescribed ones.

Article 60. Coordination between the State Bank and ministries and ministerial-level agencies in banking inspection and supervision

1. The State Bank shall coordinate with concerned ministries and ministerial-level agencies in exchanging information on inspection and supervision in the finance and banking sector under its management.

2. The State Bank shall assume the prime responsibility for, and coordinate with competent state agencies in conducting inspection and supervision of credit institutions; coordinate with competent state agencies in inspecting and supervising subsidiary companies and associated companies of credit institutions under Articles 52 and 56 of this Law.

Article 61. Coordination in banking inspection and supervision between the State Bank and competent foreign banking inspection and supervision authorities

1. The State Bank shall exchange information and coordinate with competent foreign banking inspection and supervision authorities in inspecting and supervising foreign entities subject to banking inspection and supervision that operate in Vietnam's territory and Vietnam's entities subject to banking inspection and supervision that operate overseas.

2. The State Bank shall reach agreement with competent foreign banking inspection and supervision authorities on the form, contents and mechanisms of information exchange and inspection and supervision coordination in accordance with Vietnam's law.

Chapter VI

INTERNAL AUDIT

Article 62. Internal Audit

1. Internal Audit is a unit belonging to the organizational structure of the State Bank which shall conduct internal audit and control within the State Bank.

2. The regulation on internal audit and control shall be promulgated by the Governor of the State Bank.

Article 63. Entities subject to, objectives and operational principles of the Internal Audit

1. Subject to internal audit are units of the State Bank's system.

2. The objective of internal audit is to assess the effectiveness of internal control activities in order to assure the reliability of financial statements, the effectiveness of operations, the observance of laws, regulations and processes of the State Bank and the assurance of asset safety.

3. Operations of the Internal Audit shall be carried out on the following principles:

a/ Assuring the observance of laws, regulations, processes and plans approved by the Governor of the State Bank:

b/ Assuring the independence, truthfulness and objectivity and the confidentiality of state secrets and secrets of audited units;

c/ Not impeding normal operations of audited units:

d/ The Internal Audit is entitled to access documents, dossiers, transactions and other necessary documents of audited units to fulfill audit objectives.

Article 64. Tasks and powers and the Internal Audit

1. To audit all units of the State Bank's system in conformity with approved audit plans or at the request of the Governor of the State Bank.

2. To conduct financial audit, operational audit and audit of performance of other tasks of the State Bank.

Chapter VII

IMPLEMENTATION PROVISIONS

Article 65. Effect

1. This Law takes effect on January 1, 2011.

2. Law No. 01/1997/QH10 on the State Bank of Vietnam and Law No. 10/2003/QH11 Amending and Supplementing a Number of Articles of the Law on the State Bank of Vietnam cease to be effective on the effective date of this Law.

Article 66. Implementation detailing and guidance

The Government shall detail and guide this Law's articles and clauses as assigned to it: and guide other necessary contents of this Law to meet state management requirements.

This Law was passed on June 16, 2010, by the XIIth National Assembly of the Socialist Republic of Vietnam at its 7th session.-

CHAIRMAN OF THE NATIONAL ASSEMBLY

Nguyen Phu Trong