

**THE STATE BANK OF
VIETNAM**

No. 08/2017/TT-NHNN

**THE SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness**

Hanoi, August 01, 2017

CIRCULAR

ON PROCEDURES FOR CARRYING OUT BANKING SUPERVISION

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

Pursuant to the Law on Credit Institutions dated June 16, 2010;

Pursuant to the Government's Decree No.16/2017/ND-CP dated February 17, 2017 defining functions, tasks, powers and organizational structure of the State Bank of Vietnam;

Pursuant to the Government's Decree No. 26/2014/ND-CP dated April 07, 2014 on organizational structure and operation of banking inspection and supervision authorities;

Pursuant to the Government's Decree No. 33/2015/ND-CP dated March 27, 2015 prescribing the implementation of inspection conclusions;

Pursuant to the Decree No. 35/2014/QĐ-TTg dated June 12, 2014 of the Prime Minister defining functions, tasks, powers and organizational structure of the banking inspection and supervision authority affiliated to the State Bank of Vietnam;

At the request of the Chief Inspector of the Central Banking Inspection and Supervision Authority;

The Governor of the State Bank of Vietnam promulgates a Circular on procedures for carrying out banking supervision.

Chapter I.

GENERAL PROVISIONS

Article 1. Scope

This Circular provides for procedures for carrying out banking supervision of credit institutions and foreign banks' branches.

Article 2. Regulated entities

1. Banking inspection and supervision authorities.

2. The branches of State Bank of provinces and central-affiliated cities (hereinafter referred to as “branch of State Bank”).

3. Credit institutions and foreign banks’ branches.

4. Organizations and individuals involved in supervision of credit institutions and foreign banks’ branches.

Article 3. Definitions

For the purposes of this Circular, the terms below shall be construed as follows:

1. “banking supervision” is the collection, consolidation and analysis of information about the supervised entities through the communication system by the unit responsible for banking supervision in order to prevent, detect and promptly handle the risks that threaten operational safety of banks, violate regulations on operational safety of banks and other relevant regulations of laws.

2. “the unit responsible for banking supervision” is a unit affiliated to the State Bank of Vietnam (hereinafter referred to as “the State Bank”), is responsible for carrying out microprudential supervision and macroprudential supervision, and includes: Central Banking Inspection and Supervision Authority and provincial banking inspection and supervision authorities (hereinafter referred to as “banking inspection and supervision authority”).

3. “entities responsible for supervising, expediting and inspecting” are organizations and individuals who are responsible for or involved in implementation of inspection conclusions.

4. “banking supervision reports” are microprudential supervision and macroprudential supervision reports, and other reports prepared by the entity responsible for banking supervision as prescribed in this Circular.

5. “banking crisis” is a situation that happens when the depositors’ sudden withdrawal of deposits spreads throughout credit institutions and foreign banks’ branches, which may lead to the bankruptcy of these institutions.

6. “compliance supervision” is a banking supervision method by which the unit responsible for banking supervision supervises operations of the supervised entities by monitoring and assessing the compliance with regulations on prudential ratios and limits for operational safety of banks and other regulations of the law on finance and banking; directions and requests of the State Bank; implementation of inspection conclusions and recommendations and warnings about banking supervision.

7. “risk” is the potential of causing loss which reduces the equity and income, thereby reducing the capital adequacy ratio or restricting the capacity to achieve business objectives by a credit institution or branch of a foreign bank.

8. “systemic risk” is the potential of losses, spreading from the collapse of one credit institution or branch of a foreign bank to another credit institution or branch of a foreign bank, thereby disrupting the operations of the entire credit institutions or foreign banks’ branches and entire economy.

9. “risk supervision” is a banking supervision method by which the unit responsible for banking supervision supervises operations of the supervised entities by assessing types of risks which each supervised entity are facing and will face, including: credit risk, market risk, liquidity risks, operational risk and other types of risks; assessing systemic risks of credit institutions and foreign banks’ branches in order to allocate supervision resources and take appropriate measures.

10. “post-inspection supervision” is the monitoring, expediting and inspection of the implementation of inspection conclusions by the entity responsible for monitoring, expediting and inspection.

11. “contact with supervised entity” is one where the banking inspection and supervision authority works with supervised entity in order to inspect and verify the truthfulness, accuracy and adequacy of documents, information and reports, and clarify the issues concerning risks and compliance with regulations of law on assurance of operational safety of banks in service of banking supervision.

12. “systemically important credit institution or branch of a foreign bank” is the credit institution or branch of a foreign bank that may have negative effects on the entire credit institution or branch of a foreign bank and/or systemic risk that disrupts operations of system of credit institutions and foreign banks' branches and entire economy in case of insolvency and uncreditworthiness.

13. “database management” is the creation, update, maintenance of fulfillment of requirements for access to and use of documents, information and data in service of banking supervision.

14. “banking supervision manual” is an instructional document that helps the banking inspection and supervision authority use methods, instruments and supervision indexes to serve banking supervision, a banking supervision manual includes the following basic contents:

a) Contents, forms and methods (compliance supervision and risk supervision) and rules for banking inspection;

b) Instruments and indexes in service of microprudential and macroprudential supervision (including the criteria for determination of a systemically important credit institution or branch of a foreign bank);

c) Collection, consolidation and handling of information, data and documents;

d) Analysis and assessment of contents of microprudential and macroprudential supervision;

dd) Banking supervision reports and proposed remedial measures for banking supervision;

e) Banking supervision dossier.

Article 4. Rules for banking supervision

1. Banking supervision shall be consistent with regulations of applicable laws; objectivity, truthfulness, openness, democracy, promptness shall be ensured; normal operations of supervised entities must not be obstructed.
2. Compliance supervision shall be combined with risk supervision.
3. Microprudential supervision shall be combined with macroprudential supervision.
4. Operations of supervised entities must be supervised on a regular basis.
5. Banking supervision shall be closely cooperated with banking inspection; banking supervision shall be closely cooperated with the issuance, addition and revocation of the banking license.
6. Centralization and uniformity shall be ensured in providing directions and performing tasks at the central level through the local level.

Article 5. Contents and procedures for carrying out banking inspection

1. Contents of banking supervision:

- a) Collection, consolidation and handling of documents, information and data of the supervised entity;
- b) Consider and monitor the compliance with regulations on prudential ratios and limits for operational safety of banks and other relevant regulations of law; the implementation of inspection conclusions, recommendations and warnings about banking supervision;
- c) Regularly analyze and assess financial condition, operation, management and level of risks of credit institutions and foreign banks' branches and entire system of credit institutions and foreign banks' branches; rank credit institutions and foreign banks' branches in accordance with regulations of the State Bank;
- d) Detect and warn about factors, negative changes, risks that threaten operational safety of each credit institution and branch of a foreign bank and system of credit institutions; possible violations against the finance and banking laws.
- dd) Request and propose measures for preventing and handling the supervised entities' risks and violations against law as prescribed by law.

2. Procedures for carrying out banking supervision:

- a) Step 1: Collect, consolidate, handle and store documents, information and data as prescribed in Section 1, Chapter II of this Circular;
- b) Step 2: Analyze and assess the supervised entities by carrying out microprudential supervision and macroprudential supervision as prescribed in Section 2 and Section 3, Chapter II of this Circular;
- c) Step 3: Propose interfering and adjusting actions, including remedial measures for banking supervision as prescribed in Section 6, Chapter II of this Circular;
- d) Step 4: Carry out post-inspection supervision after the conclusion on inspection of the supervised entity is received from the unit responsible for banking inspection.

Chapter II

SPECIFIC REGULATIONS ON PROCEDURES FOR CARRYING OUT BANKING SUPERVISION

Section 1. COLLECTION, CONSOLIDATION, HANDLING AND STORAGE OF DOCUMENTS, INFORMATION AND DATA

Article 6. Collection of documents, information and data

The unit responsible for banking supervision shall collect documents, information and data of the supervised entity from the following sources:

1. Reports according to regulations of applicable laws on statistical reports and on request for provision of the State Bank's information applied to credit institutions and foreign banks' branches in service of state management of finance and banking.
2. Documents, information and data in contact with the supervised entity, including:
 - a) Minutes of the direct meeting with the supervised entity;
 - b) Written explanation and documents of the supervised entity at the request of the unit responsible for banking supervision in contact with the supervised entity.
3. According to the request for banking supervision, when necessary, the Chief Inspector, Director of the branch of the State Bank of provinces where the Department of Banking Inspection and Supervision is not available shall research and formulate the contents of the proposal of supervised entities that need to provide documents, information and data other than those prescribed in Clause 1 of this Article to serve banking supervision, and shall submit such to the Governor for approval.

4. The documents, information and data for state management collected from the units affiliated to the banking inspection and supervision authority, other units affiliated to the State Bank and other sources.

Article 7. Consolidation, handling and storage of documents, information and data

1. Consolidation and handling of information, data and documents:

- a) After being collected from different sources, the documents, information and data on the supervised entity shall be checked, compared and consolidated to be used for assessment and analysis of the supervised entity;
- b) The accuracy of information specified in the balance sheet and financial statement shall be checked according to the accounting principles;
- c) The collected documents, information and data shall be compared with the historical data to detect unusual fluctuations;
- d) The documents, information and data from different sources prescribed in Article 6 of this Circular shall be compared with each other to ensure the consistency;
- dd) The actual conditions shall be based on to consider and assess the reasonableness of the documents, information and data;
- e) In case of detection of inadequate, failed or inappropriate documents, information and data, the unit responsible for banking supervision shall request the supervised entity to promptly submit a report providing explanations and return accurate information in the form of contact with the supervised entity as prescribed in Section 4, Chapter II of this Circular.

2. Storage of documents, information and data:

After being consolidated and handled, the documents, information and data shall be stored and managed to serve banking inspection and supervision according to the following rules:

- a) Documents, information and data shall be stored in a scientific and adequate manner according to each dossier of each supervised entity and entire system;
- b) Documents, information and data shall be stored as a general database, in a series of historical data and conveniently for search and use;
- c) The collected documents, information and data shall be stored in accordance with regulations of applicable law on archives and used in accordance with regulations of applicable law on the protection of State secrets.

Section 2. MICROPRUDENTIAL SUPERVISION

Article 8. Contents of microprudential supervision

Based on the documents, information and data collected, consolidated and handled from the sources specified in Article 6 and Article 7 of this Circular and operational characteristics of credit institutions and foreign banks' branches, the unit responsible for microprudential supervision shall perform some or all of the following contents:

1. Monitor and assess the compliance with regulations on prudential ratios and limits for operational safety of banks, regulations on statistical reports and other relevant regulations of the law finance and banking applied to credit institutions and foreign banks' branches.

2. Analyze and assess risks of credit institutions and foreign banks' branches according to some or all of the following contents:

a) Credit risk is the risk that a customer fails to fulfill or appears incapable of fulfilling part or whole of his/her obligation to pay debts under a contract or agreement signed with a bank or branch of a foreign bank;

b) Market risk is the risk of disadvantageous fluctuation of interest rates, exchange rates, securities prices and commodity prices in the market. Types of market risks include:

- Interest rate risk is the risk of disadvantageous fluctuation of book value of valuable papers, interest-bearing financial instruments, interest rate derivatives of the credit institutions or the branch of a foreign bank;

- Foreign exchange risk is the risk of disadvantageous fluctuation of exchange rates in the market when the credit institution or the branch of a foreign bank is in the foreign currency position;

- Risk of share price is the risk of disadvantageous fluctuation of book value of shares, derivative shares of the credit institution or the branch of a foreign bank;

- Commodity price risk is the risk of disadvantageous fluctuation of value of commodity derivatives and products in spot transactions of the credit institution or the branch of a foreign bank.

c) Liquidity risk is the risk that exists because:

- a credit institution or branch of a foreign bank appears incapable of fulfilling its obligation to pay due debt; or

- a credit institution or branch of a foreign bank appears capable of fulfilling its obligation to pay due debt but must pay at a high cost to perform such obligation.

d) Operational risk is the risk that exists due to inadequate or failed internal processes, people and systems or external events (including legal risk), which results in financial losses and exerts

non-financial negative effects on the credit institutions or foreign banks' branches. The operational risk does not include reputational risk and strategic risk;

dd) Reputational risk is the risk that exists because customers, partners, shareholders, investors or the public react negatively to the reputation of a credit institution or branch of a foreign bank;

e) Strategic risk is the risk that exists because the credit institution or branch of a foreign bank has or does not have a strategy or policy to respond promptly to changes in the business environment, thereby reducing the capacity to achieve a business strategy, profit targets of the credit institution or branch of a foreign bank;

g) Other types of risks incurring during operations of credit institutions and foreign banks' branches.

3. Analyze and assess operations of credit institutions and foreign banks' branches according to some or all of the following contents:

a) Safety assurance and development of equity (including shareholders, shares and stocks);

b) Mobilization of capital from the entities that satisfy the conditions for participation in transactions according to regulations of applicable laws, including: individuals, business entities, credit institutions, foreign banks' branches and other organizations;

c) Use of capital:

- Granting of credit to the entities that satisfy the conditions for participation in transactions according to regulations of applicable laws, including: individuals; business entities; credit institutions; foreign banks' branches; other organizations;

- Investment in valuable papers;

- Other capital uses.

d) Bad debts and settlement of bad debts;

dd) Income.

4. Analyze and assess the capacity for management and operation of credit institutions and foreign banks' branches.

5. Analyze and assess derivative activities of credit institutions and foreign banks' branches.

6. Forecast financial condition of credit institutions and foreign banks' branches.

7. Rank credit institutions and foreign banks' branches in accordance with regulations of the State Bank.

8. Analyze and assess other contents as prescribed by law.

9. The Central Banking Inspection and Supervision Authority and provincial banking inspection and supervision authorities shall carry out microprudential supervision according to the contents specified in Clauses 1, 3, 7 and 8 of this Article. In the event the supervised entity is a branch of the credit institution, the Central Banking Inspection and Supervision Authority and provincial banking inspection and supervision authorities shall not supervise the contents specified in Point a, Clause 3 and 7 of this Article and shall not comply with regulations on prudential ratios and limits for operational safety of banks and regulations on statistical reports of the State Bank that are specified in Clause 1 of this Article.

10. Based on operational characteristics of the supervised entity, the Chief Inspector and the Director of the branch of the State Bank of the province where a Provincial Department of Banking Inspection and Supervision is not available shall decide to carry out microprudential supervision according to the contents specified in Clauses 2, 4, 5 and 6 of this Article.

11. For the supervised entity that is a systemically important credit institution or a systemically important branch of a foreign bank specified in Clause 2, Article 10 of this Article, in addition to the contents of microprudential supervision that are specified from Clause 1 to Clause 10 of this Article, frequency of preparation of the microprudential supervision report that is specified in Clause 2, Article 9 of this Circular, such supervised entity shall comply with other supervision contents and frequency of preparation of other microprudential supervision reports specified in the banking supervision manual promulgated by the Governor of the State Bank.

12. The supervision contents specified in Clauses 1, 2, 3, 4, 5, 6, 7 and 8 of this Article are elaborated in the banking supervision manual promulgated by the Governor of the State Bank

Article 9. Microprudential supervision report and microprudential supervision dossier

1. According to assessment and analysis carried out as prescribed in Article 8 of this Circular, the unit responsible for microprudential supervision shall prepare a microprudential supervision report in conformity with types and operational characteristics of each supervised entity.

2. The microprudential supervision report shall be prepared on a quarterly (except for the quarter IV) and annual basis and at the request of the Governor of the State Bank. The quarterly report on microprudential supervision shall be completed before the last day of the second month of the following quarter. The annual report on microprudential supervision shall be completed before the last day of the first quarter of next year.

3. The unit responsible for microprudential supervision shall compile a microprudential supervision dossier for each supervised entity. A supervision dossier includes documents, information and data collected from the sources specified in Article 6 of this Circular, microprudential supervision reports, dossier on contact with supervised entities, post-inspection supervision dossier and dossier on remedial measures for banking supervision. Microprudential supervision dossier of each supervised entity shall be kept in accordance with regulations of

applicable law on archives and used in accordance with regulations of applicable law on the protection of State secrets.

Section 3. MACROPRUDENTIAL SUPERVISION

Article 10. Contents of macroprudential supervision

1. According to the information, documents and data collected, analyzed and handled from the sources specified in Article 6 and Article 7 of this Circular and microprudential supervision reports, the unit responsible for macroprudential supervision shall monitor and assess the group and entire system of credit institutions or foreign banks' branches according to some or all of the following contents:

- a) Analysis of the level of financial health;
- b) Assessment of interbank operations;
- c) Assessment of the ownership and investment;
- d) Consideration and assessment of condition, trend, level of risks and effects that may exerted on the group and entire system of credit institutions or foreign banks' branches;
- dd) Assessment of the resistance to changes in policy and macroeconomic environment to the group and entire system of credit institutions or foreign banks' branches;
- e) Probability of a banking crisis and response measures;
- g) Analysis and assessment of other contents as prescribed by law.

2. Supervised entities shall be classified as follows:

a) According to the degree of impact on the system:

- Group of systemically important credit institutions and foreign banks' branches and the remaining group in the system;
- Criteria for determination of the importance of the system, contents of macroprudential supervision, frequency of preparation of the macroprudential supervision report applied to the group of systemically important credit institutions and foreign banks' branches are elaborated in the banking supervision manual promulgated by the Governor of the State Bank. According to the criteria specified in the banking supervision manual, the Chief Inspector shall request the Governor of the State Bank to decide the list of systemically important credit institutions and foreign banks' branches in each period.

b) According to types and ownership:

- Group of joint venture banks, wholly foreign-owned banks, foreign banks' branches, joint venture finance companies, wholly foreign-owned finance companies, joint venture financial leasing companies and wholly foreign-owned financial leasing companies;

- Group of domestic credit institutions: state-owned commercial banks, joint stock commercial banks, cooperative banks, policy banks, finance companies, financial leasing companies, People's Credit Funds and microfinance institutions.

c) Group of supervised entities shall be classified according to other criteria decided by the Governor of the State Bank in each period.

3. The Central Banking Inspection and Supervision Authority shall carry out macroprudential supervision according to the contents specified in Points a, b, c, d and g, Clause 1 of this Article.

4. Based on operational characteristics of the supervised entity in each period, the Chief Inspector shall decide the macroprudential supervision according to the contents specified in Points dd and e, Clause 1 of this Article.

5. The supervision contents specified in Clause 1 of this Article are elaborated in the banking supervision manual promulgated by the Governor of the State Bank.

Article 11. Macroprudential supervision report and macroprudential supervision dossier

1. According to the analysis and assessment carried out as prescribed in Article 10 of this Article, the unit responsible for macroprudential supervision shall prepare macroprudential supervision reports for the group and entire system of credit institutions and foreign banks' branches according to the contents specified in Clause 1 and Point a, Clause 2, Article 10 of this Circular.

2. The macroprudential supervision report shall be prepared on a quarterly (except for the quarter IV) and annual basis and at the request of the Governor of the State Bank except for the case specified in Point a, Clause 2, Article 10 of this Circular. The quarterly report on macroprudential supervision shall be completed before the last day of the second month of the following quarter. The annual report on macroprudential supervision shall be completed before the last day of the first quarter of next year.

3. The unit responsible for macroprudential supervision shall prepare a macroprudential supervision document for the group and entire system. A macroprudential supervision dossier includes documents, information and data collected from the sources specified in Article 6 of this Circular, macroprudential supervision reports and other relevant documents. The macroprudential supervision dossier shall be kept in accordance with regulations of applicable law on archives and used in accordance with regulations of applicable law on the protection of State secrets.

Section 4. CONTACT WITH SUPERVISED ENTITIES

Article 12. Form of contact with supervised entities

Form of contact with supervised entities includes:

1. Submission of written request for explanations.
2. Organization of direct meeting.

Article 13. Submission of written request for explanations

1. In case of detection of inadequate, failed or inappropriate documents, information and data or issues concerning risks and compliance with regulations on assurance of operational safety of the supervised entities, the unit responsible for banking supervision shall request the Chief Inspector, the Director General of the Provincial Department of Banking Inspection and Supervision, the Director of branch of the State Bank of the province where a Provincial Department of Banking Inspection and Supervision is not available to consider approving the proposal of supervised entities that need to provide explanations.
2. According to the time limit for provision of explanations that is specified in the written request for explanations, the supervised entities shall submit a written explanation, including the adjustments (in case of failed, inadequate or inappropriate documents, information and data) to the unit responsible for banking supervision.

Article 14. Organization of direct meeting

1. When necessary, in case of detection of inadequate, failed or inappropriate documents, information and data or issues concerning risks and compliance with regulations on assurance of operational safety of the supervised entities, the unit responsible for banking supervision shall request the Chief Inspector, the Director General of the Provincial Department of Banking Inspection and Supervision, the Director of the branch of the State Bank of a province where the Provincial Department of Banking Inspection and Supervision is not available to consider approving the establishment of a working group that will work directly with supervised entities (hereinafter referred to as “working group”).
2. Before organizing a direct meeting with a supervised entity, the unit responsible for banking supervision shall issue a written notice to the supervised entity at least 05 working days in advance. The notice shall specify contents, duration, place of the meeting and members of the working group.
3. The contents of the meeting shall be decided by the Chief Inspector, the Director General of the Provincial Department of Banking Inspection and Supervision and the Director of the branch of the State Bank of the province where a Provincial Department of Banking Inspection and Supervision is not available and shall be made into a record which has to be signed by the representative of the working group and supervised entity. The meeting minute is specified in the Appendix I enclosed with this Circular.
4. The members of the working group, duration of the meeting with each supervised entity shall be decided by the Chief Inspector, the Director General of the Provincial Department of Banking

Inspection and Supervision and the Director of the branch of the State Bank of the province where a Provincial Department of Banking Inspection and Supervision is not available, but the members of the working group shall not exceed 05 and the duration of the meeting shall not exceed 05 working days.

5. Supervised entities must comply with all requirements specified in the written notice issued by the banking inspection and supervision authority and provide documents to prove and explain as requested by the working group.

Section 5. POST-INSPECTION SUPERVISION

Article 15. Responsibilities of the unit carrying out post-inspection supervision

The unit assigned to carry out post-inspection supervision shall monitor, expedite and inspect the implementation of inspection conclusions by the entity responsible for monitoring, expediting and inspection according to regulations specified in Chapter III of the Government's Decree No. 33/2015/ND-CP dated March 27, 2015 on the implementation of inspection conclusions.

Article 16. Responsibilities of the heads of the authorities that issue inspection conclusions, inspected entities and relevant organizations and individuals

1. Responsibilities of the heads of the authorities that issue inspection conclusions are prescribed in Section 2, Chapter II of the Government's Decree No. 33/2015/ND-CP dated March 27, 2015 on the implementation of inspection conclusions.
2. Responsibilities of inspected entities and relevant organizations and individuals are prescribed in Section 3, Chapter II of the Government's Decree No. 33/2015/ND-CP dated March 27, 2015 on the implementation of inspection conclusions.

Section 6. REMEDIAL MEASURES FOR BANKING SUPERVISION

Article 17. Remedial measures for banking supervision

Remedial measures for banking supervision include:

1. Recommendations and warnings.
2. Impose penalties for administrative violations in accordance with regulations of law.
3. Request a competent authority to take other remedial measures for banking supervision in accordance with regulations of law.

Article 18. Recommendations and warnings to supervised entities

1. According to legislative documents regulating the supervised entities, documents, information and data on the operations of supervised entities, and analysis and assessment carried out by the

unit responsible for banking supervision, the Chief Inspector, the Director General of the Provincial Department of Banking Inspection and Supervision and the Director of the branch of the State Bank of a province where a Provincial Department of Banking Inspection and Supervision is not available shall approve the recommendations and warnings about the potentially risky fields that may threaten operational safety or result in violations against the finance and banking law.

2. The unit responsible for banking supervision shall give recommendations and warnings about risks to supervised entities according to the following grounds:

a) The supervision results that are shown by quantitative indicators exceed the warning threshold. The warning threshold is determined according to the average value and percentile of the supervised entities of the same group. The method of calculating the average value and percentile is elaborated in the banking supervision manual promulgated by the Governor of the State Bank.

b) The qualitative information reflects the inherent risks of the supervised entity from the supervision results combined with inspection conclusions, independent audit results, internal audit results and information from other regulatory authorities;

c) When the Governor of the State Bank makes a request derived from the state management of finance and banking.

3. Upon receipt of the recommendations and warnings given by the unit responsible for banking supervision, the supervised entity has the following responsibilities:

a) The supervised entity shall promptly provide explanation for the recommendations and warnings. The written explanation that contains the contents such as condition, reasons and remedial measures shall be submitted to the unit responsible for banking supervision. The time limit for submission of the written explanation by the supervised entity shall be decided by the unit responsible for banking supervision and specified in the recommendations and warnings.

b) In the event the supervised entity still poses inherent risks that threaten operational safety and result in violation against the finance and banking law after taking remedial measures, the unit responsible for banking supervision shall request a competent authority to take remedial measures for banking supervision in accordance with regulations of law.

Article 19. Monitoring, expediting and handling of the implementation of recommendations and warnings by supervised entities

1. The unit responsible for banking supervision shall regularly collect information relating to progress and results of and difficulties that arise during the supervised entities' implementation of recommendations and warnings.

2. If delays in the implementation of recommendations and warnings are found, the unit responsible for banking supervision shall request the Chief Inspector, the Director General of the

Provincial Department of Banking Inspection and Supervision and the Directors of the branches of the State Bank of the provinces where a Provincial Department of Banking Inspection and Supervision is not available to consider approving the proposal of supervised entities that need to provide reasons and take remedial measures or shall hold a direct meeting with supervised entities.

3. After assessing the implementation of recommendations and warnings, the unit responsible for banking supervision shall recommend remedial measures for banking supervision in accordance with regulations of law.

Chapter III

RESPONSIBILITIES OF RELEVANT ORGANIZATIONS AND INDIVIDUALS DURING BANKING SUPERVISION

Article 20. Responsibilities of the Central Banking Inspection and Supervision Authority

1. Secure the information relating to supervised entities as prescribed by law.
2. Take charge and cooperate with the provincial banking inspection and supervision authorities, the Department of Monetary and Financial Stability, other affiliates of the State Bank and organizations involved in banking supervision in preventing, detecting and promptly handling risks to operational safety of banks, and preventing, detecting and promptly imposing penalties for violations of regulations on prudential ratios and limits for operational safety of banks and other relevant regulations of law committed by supervised entities.
3. Take charge and cooperate with the provincial banking inspection and supervision authorities, the Department of Monetary and Financial Stability and other affiliates take responsibility for of the State Bank in formulating a mechanism for cooperation, exchange of documents, information and data to serve banking supervision.
4. According to regulations of this Circular, take charge and cooperate with relevant units in making a banking supervision manual and submit it to the Governor of the State Bank.
5. Cooperate with and provide authorities and units not affiliated to the State Bank and foreign supervision authorities with information on banking supervision of credit institutions and foreign banks' branches in accordance with regulations of law.
6. Take charge and cooperate with the Department of Information Technology and relevant units of the State Bank in conducting research, making investment, constructing; applying, managing and developing an information technology system to ensure uniformity in the banking supervision in accordance with regulations of law.
7. Other responsibilities as prescribed by law.

Article 21. Responsibilities of the branches of the State Bank of the provinces where a Provincial Department of Banking Inspection and Supervision is not available

1. Secure the information relating to supervised entities as prescribed by law.
2. Take charge and cooperate with the Central Banking Inspection and Supervision Authority, affiliates of the State Bank and organizations involved in microprudential supervision in preventing, detecting and promptly handling risks to operational safety of banks, and preventing, detecting and promptly imposing penalties for violations of regulations on prudential ratios and limits for operational safety of banks and other relevant regulations of law committed by supervised entities.
3. Cooperate with and provide the Central Banking Inspection and Supervision Authority, affiliates of the State Bank and other organizations and individuals with information on supervised entities in accordance with regulations of law.
4. Other responsibilities as prescribed by law.

Article 22. Responsibilities of other relevant affiliates of the State Bank

Other affiliates of the State Bank shall cooperate and provide information, documents and data at the request of the banking inspection and supervision authorities in accordance with regulations of this Decree and law.

Article 23. Responsibilities of supervised entities

1. Exercise rights and fulfill obligations of a supervised entity as prescribed in Sections 1, 4, 5 and 6, Chapter II of this Circular, Article 57 of the Law on the State Bank of Vietnam and Article 160 of the Law on Credit Institutions.
2. Provide information, documents and data as prescribed by law.
3. Other responsibilities as prescribed by law.

Chapter IV

IMPLEMENTATION CLAUSE

Article 24. Effect

1. This Circular comes into force from December 01, 2017.
2. The Decree No. 398/1999/QĐ-NHNN3 dated November 09, 1999 of the Governor of the State Bank of Vietnam promulgating the regulation on off-site supervision of credit institutions operating in Vietnam is null and void.

Article 25. Responsibility for implementation

Chief of Office, Chief Inspector, heads of the affiliates of the State Bank, Directors of the branches of the State Bank of provinces, Presidents of the Board of Directors, Board of Members, General Directors (Directors), credit institutions and foreign banks' branches are responsible for the implementation of this Circular./.

**PP. GOVERNOR
DEPUTY GOVERNOR**

Nguyen Phuoc Thanh