

Important events, 1988–2003

- 1988 • Decree No.53 transforms the one-tier banking system into a two-tiered system by establishing the four large state-owned specialised commercial banks.
- The legal ban on holding dollars is lifted.
- 1989 • The dong is devalued.
- 1990 • A large number of credit cooperatives go bankrupt causing the virtual collapse of the credit cooperative system. By the end of 1990 only 160 of the original 7,000 credit cooperatives are operational.
- Law for the Vietnamese Central Bank confirms the shift to a two-tiered banking system. The SBV is officially made responsible for state management of the banking system and given the duties of a central bank.
- The establishment of private commercial banks and to a lesser degree branch offices and representative offices of foreign banks is permitted.
- The rules governing new entries into the banking system are liberalised.
- The rules on the stipulated sector specialisation of the four major SOCBs are removed.
- 1991 • The practice of increasing money supply to finance budget deficits is officially abolished.
- Domestic banks are allowed to offer time deposits denominated in foreign currency.
- 1992 • Tight fiscal and monetary measures cause the rate of inflation to decrease and real interest rates to turn positive.
- 1993 • Decision 390 permits the pilot establishment of a three-tiered system of local, regional and national People's Credit Funds.

- The domestic inter-bank market is established.
 - All forms of subsidised credit to SOEs are officially terminated.
 - The insurance market is opened for foreign insurance companies in joint-venture agreements with domestic firms.
- 1994
- The inter-bank market for foreign currency is established.
 - The Bankruptcy Law governing all enterprises is passed and economic courts to hear such cases are established.
 - Vietnam joins ASEAN.
- 1995
- Civil code passed by the National Assembly requires the SBV to clarify rules governing borrowing and lending to commercial banks.
 - The insurance market is opened for private 100 per cent domestically owned companies.
 - Decree 64 stipulates the statute on organisation and operation of financial companies.
- 1996
- The property market in Hanoi and Ho Chi Minh City collapses.
 - The SBV issues a loan classification system stipulating the grouping of loans into four categories.
 - Banks are allowed to set interest rates on dong deposits.
- 1997
- A 6 per cent devaluation to the US\$ (February).
 - The East Asian Financial Crisis results in macroeconomic turmoil and crisis throughout the region, leading to considerable currency devaluation and reductions in the growth rates of neighbouring countries.
 - A 10 per cent devaluation to the US\$ (August).
- 1998
- The Law on the State Bank comes into effect. The law represents an important step towards separating the SBV from the political system and establishing it as an autonomous entity on a par with the executive, legislative and judiciary branches of government.
 - The National Congress ceases to officially influence interest rate levels.
 - Commercial banks are required to make provision for loan losses.
 - State Bank recapitalisation improves the capital adequacy of the SOCBs.
 - More than two-thirds of JSBs fail to meet the minimal requirement on chartered capital. As a consequence, a

number of JSBs come under special control/supervision. Some have their licences revoked, while others are forced to merge with other JSBs.

- The SBV decides upon a 10 per cent devaluation of the official exchange rate to the US\$.
- 1999
- Independent diagnostic audits of the SBV, the SOCBs and the JSBs are completed.
 - On the basis of these audits, the government decides to restructure the JSBs first. JSBs are classified into four types and restructuring strategies for each type are developed.
 - The Bank Restructuring Committee is established.
 - Postal savings system is established. The main function is the provision of savings products to groups that are excluded from accessing the formal financial market. The savings mobilised are subsequently used to finance development projects.
 - The income tax rate for the banking system is lowered from 45 to 32 per cent.
 - The bank reserve requirement ratio is lowered from 8 to 5 per cent.
 - Foreign owned insurance companies are allowed to obtain a licence and enter the Vietnamese market albeit only in selected areas such as life insurance.
 - The interest rates on deposits in foreign currency are liberalised.
 - The SBV announce that the official rate is abolished, opting instead for a crawling-peg to the US\$.
- 2000
- The national stock exchange opens in Ho Chi Minh City.
 - The financial assessments of 48 JSBs are completed. As a result, 13 JSBs are placed under special supervision/control by the SBV, two have their banking licences revoked and one is forced to merge.
 - Exchange rate policy and regime is eased.
 - Land-use rights and other fixed assets are permitted to be used as loan collateral.
 - Using the inter-bank market the SBV initiates more market-based control of end-customer interest rates in the banking sector.

- Interest rate controls on foreign currency deposits are liberalised.
 - Foreign balancing requirement for foreign-invested enterprises is lifted.
 - The Deposit Insurance Agency (DIA) is established as a separate legal entity. The insurance provided by the DIA is provided to all residents in Vietnam and covers up a maximum of 30 million dong. Deposits in foreign currency are, however, excluded from insurance.
 - Decision 488 of November 2000 starts the process of gradually changing Vietnamese accounting standards by requiring that risk provisioning should be based on overdue debt and that commercial bank assets should be classified into four groups depending on their assessed risk.
- 2001
- The Ninth Party Congress signals new commitment towards comprehensive reforms.
 - Medium-term SOE reform plan adopted (March). Banking and SOE reform is given priority. Annual targets for SOE equitisations are specified for the first three years.
 - IMF initiates the recapitalisation of the four large SOCBs.
 - The government announces that policy-induced lending will be phased out 'except under limited and explicitly identified circumstances with government guarantees'.
 - Decision 284 officially brings loan classification and loan-loss provisioning in line with international standards.
 - Decision 1627 stipulates that the entire loan balance should be classified as overdue if interest and/or principal payments are overdue.
 - The interest rate ceilings on foreign currency loans are abolished.
 - US–Vietnam bilateral trade agreement is implemented
- 2002
- A decentralised system of asset management companies is established to face the problem of non-performing loans in the SOCBs.
 - Phased recapitalisation of the SOCBs is initiated using comprehensive reviews based on international accounting standards. The process is, however, off to a slow start.

- Banks are allowed to set interest rates for loans through individual assessment of and negotiations with individual customers.
 - First tranche of SOCB recapitalisation is released despite all four SOCBs failing to meet the required targets.
 - The Registry Centre for Secured Transactions is established.
 - A Credit Information Centre assigned with the task of providing information about borrowers to banks is established.
 - Lending rates in domestic currency are liberalised.
 - Negotiations about Vietnamese membership of the WTO begin.
- 2003
- The policy lending bank, named the Bank for Social Policies (BSP), is established.
 - Second tranche of SOCB recapitalisation is released – again none of the SOCBs meet the required targets.