



Program Administration Memorandum

Project Number: 37577
Loan Number: 2377
August 2008

VIE: Third Financial Sector Program Loan (FSPL III)

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 6 August 2008)

Currency Unit	–	dong (D)
D1.00	=	\$0.0000598265
\$1.00	=	D16,715.00

ABBREVIATIONS

ADB	–	Asian Development Bank
AMLIC	–	Anti-Money Laundering Information Center
FSPL III	–	Third Financial Sector Program
GDP	–	gross domestic product
IAS	–	International Accounting Standards
IOSCO	–	International Organization of Securities Commission
MMOU	–	Multilateral Memorandum of Understanding
MOF	–	Ministry of Finance
PSC	–	program steering committee
SBV	–	State Bank of Vietnam
SRO	–	self-regulatory organization
SSC	–	State Securities Commission
STC	–	securities trading center
VSD	–	Viet Nam Securities Depository

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e. g. FY2000 ends on 31 December 2000.
- (ii) In this report, "\$" refers to US dollars.

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LOAN PROCESSING HISTORY

Milestones	Dates
Fact Finding Mission	14-31 May 2007
Management Review Meeting	1 August 2007
Appraisal Mission	20-24 August 2007
SRC Meeting	16 October 2007
Loan Negotiations	25-26 October 2007
Board Consideration and Approval	6 December 2007
Loan Agreement Signing	10 January 2008
Loan Effectiveness	11 April 2008

DESIGN AND MONITORING FRAMEWORK OF THE PROGRAM

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Financial sector is deeper, more diversified, and resilient.</p>	<p>Increase in share of nonbank assets in total financial sector assets from 15% in 2005 to at least 30% in 2009</p> <p>Increase in M2/GDP of at least 8 percent points by 2009 from 82% in 2005</p>	<p>Reports and statistics published by SBV, MOF, and STCs</p> <p>SBV reports and national accounts</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Political stability • Sound macroeconomic policies
<p>Outcome Capital markets play a greater role in domestic financing.</p>	<p>Increase in number of listed companies from 44 in 2005 to at least 225 in 2009</p> <p>Increase in value of total bond issuances from 10% of GDP during 2000–2005 to at least 20% of GDP during 2006–2009</p>	<p>Reports and statistics published by SBV, MOF, STCs</p> <p>SSC and STC reports</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Effective coordination among relevant government agencies <p>Risks</p> <ul style="list-style-type: none"> • Regional financial shocks may impact Viet Nam's capital markets and affect investor confidence • Equity market may be characterized by unsustainable asset price bubble
<p>Outputs 1. Greater liquidity in capital market is supported by lowering transaction costs through improved provision of market-related information and infrastructure</p>	<p>Bid-ask spread for government bonds declines by at least 5 basis points by 2009 from 22 basis points in 2007</p> <p>Legal and regulatory framework for securities industry and markets strengthened through promulgation of new securities law and implementing decrees by September 2007</p> <p>Prompt and public disclosure of key market-related information via SSC website from September 2007 onward; information to be disclosed includes (i) volume traded, daily high and low prices for listed securities, and (ii) changes in beneficial ownership of officers, directors, and significant shareholders of public companies (with 5%</p>	<p>SSC reports</p> <p>Copy of law and decrees provided by MOF</p> <p>SSC website</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Continued nondiscriminatory tax treatment of capital markets <p>Risks</p> <ul style="list-style-type: none"> • Poor governance and corruption may weaken effective program implementation • Vested interests and political opposition may slow program implementation • Political backlash against rapid reforms may weaken government commitment to reform process • Implementing agencies have weak technical capacity

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
2. Institutional framework for securities issuance is strengthened.	or more ownership), and (iii) annual audited financial statements of listed companies		
	Traders are required by SSC to promptly report to relevant STCs, from March 2009 onward, transactions involving shares of public companies having shares registered with VSD. Reports should include information on price and volume as well as bid/offer spreads.	SSC certification	
	Accounting standards are upgraded through step-by-step implementation of mark-to-market accounting by March 2009.	Copy of relevant regulations provided by MOF	
	Legal framework for auditing is strengthened by preparing draft Law on Independent Audit, including provisions specifying (i) the functions and responsibilities of professional associations and SROs and (ii) a road map for delegation of selected responsibilities for oversight of auditors to the professional association prepared by MOF and submitted to the Government office by March 2009.	Copy of draft law provided by MOF	
	Number of new equity issuances during 2006–2009 is at least double that during 2001–2005	SSC reports	
	Specialized bond-trading platform established at Hanoi STC by March 2009	STC certification	
Institutional mechanism for effective coordination between monetary policy and debt management is established by March 2009 through formation of joint SBV-MOF working group	SBV, MOF certification		
Proportion of debt of greater than 5-year maturity in total government debt increases	MOF and State Treasury reports		

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>3. Consumer protection is enhanced through measures aimed at strengthening regulations concerning market governance and their enforcement.</p> <p>4. International cooperation with relevant authorities in other jurisdictions is improved through strengthening of framework for information exchange.</p>	<p>by at least 5 percent points from 23% in 2005</p> <p>MOF develops feasibility study for establishment of primary dealership system</p> <p>Increase in number of retail investors from 30,000 in 2005 to 100,000 in 2009</p> <p>Trading volume in both STCs in 2009 is at least double that of 2005</p> <p>Securities law that incorporates international best practices (e.g., IOSCO recommendations) with regard to investor protection and implementing regulations is promulgated by September 2007</p> <p>Operating capacity of AMLIC strengthened through significant increase in staff and establishment of a transaction monitoring system by 2009</p> <p>Number of MOUs established with securities regulators in other jurisdictions is increased from two in 2005 to at least five by 2009</p>	<p>Copy of study from MOF</p> <p>SSC reports</p> <p>SSC, STC reports</p> <p>Copy of law and implementing regulations provided by MOF</p> <p>AMLIC certification</p> <p>Copies of MOUs from SSC</p>	
<p>Activities with Milestones</p> <p>1.1 Establish system for prompt public disclosure of key market information with respect to listed companies by Sep 2007.</p> <p>1.2 Strengthen accounting and auditing standards and legal and institutional framework for oversight of the profession by March 2009.</p> <p>2.1 Establish system for effective coordination between monetary policy and debt management by March 2009.</p> <p>2.2. Identify and commence issuance of appropriate benchmark maturities by March 2009.</p> <p>3.1 Issue decree establishing penalties for administrative offences under new securities law available by Sep 2007</p> <p>3.2 Develop and establish system with web-based interface for receiving and addressing investor complaints by March 2009.</p> <p>3.3 Develop and establish system for public disclosure violation of securities market regulations including identification of firms, nature of violation, and penalty imposed by March 2009.</p>		<p>Inputs</p> <ul style="list-style-type: none"> • ADB program loan of \$75 million equivalent from Special Funds resources • ADB technical assistance: \$1 million^a 	

Activities with Milestones	Inputs
3.4 Develop specifications, secure funding, procure, and establish transaction monitoring system in AMLIC by March 2009.	
4.1 Enter into information exchange agreements with regard to cross-border securities market-related issues with at least three additional jurisdictions by March 2009.	

AMLIC = Anti-Money Laundering Information Center; IOSCO = International Organization of Securities Commissions; MOF = Ministry of Finance; MOU = memorandum of understanding; SBV = State Bank of Viet Nam; SRO = self-regulatory organizations; SSC = State Security Commission; STC = securities trading centers; VSD = Vietnam Securities Depository.

Note: M2 is a measure of the stock of money in an economy that includes cash in circulation, demand deposits, as well as savings deposits and other relatively liquid assets.

^a To be proposed for approval in early 2008.

I. PROGRAM DESCRIPTION

A. Program Area and Location

1. Program loan for the Socialist Republic of Viet Nam.

B. Impact and Outcome

2. The objective of FSPL III is to create a more diversified, deeper, and more resilient financial sector. FSPL III will lead to an increased share of capital markets in the financing of domestic investment, which will promote and facilitate sustained high growth in the economy with reduced risks. Development of diversified capital markets will result in increased efficiency of financial intermediation in the economy, more efficient allocation of resources, and a sound macroeconomic environment that is more resilient to external and regional shocks. FSPL III will also support Government efforts to promote greater regional cooperation through cooperation with regulators of other securities markets in the region.

C. Outputs

3. The overall policy framework includes the following components:
 - (i) Greater liquidity in capital market is supported by lowering transaction costs through improved provision of market-related information and infrastructure;
 - (ii) Institutional framework for securities issuance is strengthened;
 - (iii) Consumer protection is enhanced through measures aimed at strengthening regulations concerning market governance and their enforcement; and
 - (iv) International cooperation with relevant authorities in other jurisdictions is improved through strengthening of framework for information exchange.
4. Specifically, the financial sector development and reform agenda of FSPL III is structured around the following components:

A. Capital Market Liquidity

A.1 Market disclosure and dissemination of information

- A.1.1** New Securities Law to be adopted to move toward a disclosure-based regime for the securities market
- A.1.2** Ministry of Finance (MOF) to issue circular specifying disclosure requirements for issuers, public companies, securities intermediaries, and market institutions
- A.1.3** Securities trading centers (STCs) to publicly disclose on their websites: (i), market indices, volumes traded for all listed securities, and daily high and low prices on a daily basis; and (ii) information on listed company ownership and changes therein by significant shareholders, management and directors, and (iii) audited annual financial statements

A.2 Market information standards

- A.2.1** MOF to issue accounting guidelines for stock exchanges
- A.2.2** MOF to issue regulation to improve examination quality for certification of public accountants (revise Decision 59 on examination and certification of public

accountants), and issue regulation controlling quality of accounting and auditing services

A.3 Market infrastructure for secondary trading of securities

- A.3.1** MOF to establish a central registry system for listed securities, with ownership evidenced by book entry; and the Government to consolidate depository, clearing, and settlement under a single entity (i.e., VSD) that is legally separate from the STCs
- A.3.2** SSC to draft and submit to MOF a plan for establishing a specialized bond trading platform at Hanoi STC
- A.3.3** Ho Chi Minh STC to become an exchange and be established as limited liability company; SSC to approve exchange rules (listing, trading, membership, and information disclosure) and require the exchange to enforce these rules

B. Institutional Framework for Securities Issuance

B.1 Government securities issuance to support the capital markets

- B.1.2** MOF to publish calendar of issuance of government bonds on a quarterly basis

B.2 Create benchmark issues for Government securities

- B.2.1** MOF to undertake issues of a designated benchmark security in primary debt market to support the formulation of the benchmark yield curve
- B.2.2** MOF to issue regulation to allow bond issuance in big lots and reopening (Decision 46/2006/QD-BTC)

B.3 Develop short end of the bond market

- B.3.1** SBV to use open-market operations to sell treasury bills and SBV bills to absorb excess liquidity to achieve realignment of money market rates

B.4 Enhance supply of other securities

- B.4.1** The Government to issue decrees on corporate bond issuances, including bond issuances of equitized enterprises
- B.4.2** SBV to impose limits on parent bank lending to leasing subsidiaries

C. Consumer Protection

C.1 Improve consumer protection

- C.1.1** A comprehensive Securities Law to be adopted to incorporate international best practices (IOSCO) with regard to investor protection and (ii) regulations on implementing the law to be adopted
- C.1.2** SSC to develop a master plan for improving market surveillance and compliance
- C.1.3** SSC to create a new department of market surveillance and compliance

C.1.4 Government to issue a decree on penalties for administrative offences under the new securities law

C.1.5 SSC to publish on its website all cases of penalties imposed on regulated persons (e.g., identification of parties sanctioned, sanctions imposed, amount and type of sanctions, and Decision of Imposing Penalties)

C.2 Strengthen anti-money laundering (AML) regime

C.3 Enhance consumer protection in insurance markets

C.3.1 Government to issue new decrees 45/2207/ND-CP and 46/2007/ND-CP, replacing decrees 42/2001-ND-CP and 43/2001/ND-CP respectively to strengthen regulation of insurance companies (e.g., “fit and proper” requirements for directors and managers of insurance companies, capital requirements including a simple risk-based capital approach, solvency, policy holder reserving, financial reporting; and internal audit)

C.4 Regulatory coordination to improve market oversight

C.4.1 Government to issue directive to improve financial services market oversight

D. Regional Cooperation

D.1 Regional cooperation in development of securities market

D.1.1 SSC to enter into MOUs with regional securities regulators to promote sharing of information

C. Important Features

5. FSPL III is classified as category C under ADB's environmental classification system, with no significant adverse impact identified. It will not have any involuntary resettlement impact as it has no investment component. None of the policy actions associated with it will trigger any activities related to indigenous people during implementation.

II. COST ESTIMATES AND FINANCING PLAN

A. Financing Plan

6. A loan of \$75,000,000 equivalent from ADB's Special Funds resources will be provided for subprogram 1 of the program cluster. The loan will have an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; a term of 24 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft Loan Agreement.

B. Allocation of Loan Proceeds

7. The proceeds of the Loan will be utilized to finance the foreign exchange costs of Eligible Items (excluding local expenditures), produced in and originating from ADB member countries, other than those specified in the list of ineligible items (Appendix 2).

III. IMPLEMENTATION ARRANGEMENTS

8. State Bank of Vietnam (SBV) will be the Executing Agency. MOF, including SSC, will be the Implementing Agency. SBV will be responsible for overall program implementation, including administration and disbursement of the loan proceeds, maintenance of accounts, and preparation of semiannual progress reports on program implementation.

9. To coordinate program implementation among different Government ministries and agencies concerned, a program steering committee (PSC) will be formed. The PSC, chaired by SBV, will comprise senior officers from all government agencies concerned, including SBV and MOF, which includes SSC. The PSC will meet on a semiannual and ad hoc (when necessary) basis to review pending issues and propose concrete actions for their resolution to ensure timely program implementation. A program implementation and coordination unit will be formed within SBV, headed by a senior SBV officer, to assist the PSC and ADB, and have responsibility for day-to-day program implementation.

IV. IMPLEMENTATION SCHEDULE

10. The implementation period for the program cluster is from January 2006 to September 2010. Subprogram 1 consists of tranche 1 (January 2006 to September 2007) and tranche 2 (October 2007 to February 2009) actions. All actions included in tranche 1 were completed by September 2007. Subprogram 2 is expected to be implemented during March 2009 to September 2010.

V. PROCUREMENT AND DISBURSEMENT

11. In accordance with the simplified disbursement procedures and related requirements for program loans,² goods and services produced in and originating in ADB member countries will be procured, with due consideration to economy and efficiency, in accordance with standard public procedures in Viet Nam, and normal private sector commercial practices acceptable to ADB. In the case of goods commonly traded on the international commodity markets, they will be procured in accordance with procedures appropriate to the trade and acceptable to ADB.

12. The loan proceeds will be disbursed for a broad range of imports, subject to a negative list of ineligible items (Appendix 6) and subject to expenditures not being incurred more than 180 days prior to loan effectiveness. Loan proceeds will be disbursed on the basis of certification provided by the Borrower, confirming that in each year in which the loan proceeds are expected to be disbursed, the value of total imports minus (i) imports from nonmember countries, (ii) ineligible imports, and (iii) imports financed under other official development assistance, is equal to or greater than the amount expected to be disbursed during the year. FSPL III recognizes policy measures and relevant eligible costs already undertaken by the Government prior to loan effectiveness.

² ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

13. The disbursement of each tranche under subprogram 1 is subject to fulfillment of specified first and second tranche release conditions, as set out in the policy matrix.

VI. PROGRAM MONITORING AND EVALUATION

14. ADB will, in cooperation with SBV, carry out periodic reviews of progress with program implementation, and assess the impact of FSPL III on the sector. The implementing TA to strengthen program implementation will also be used to continue consultations with the Government on the program cluster and the financial sector. The Government will keep ADB informed of the outcome of policy discussions with other multilateral and bilateral agencies that have implications for program implementation, and will provide ADB with the opportunity to comment on any resulting policy proposals. The benefit monitoring and evaluations shall be conducted in accordance with ADB's *Project Performance Monitoring System*.

VII. REPORTING REQUIREMENTS

15. The Government will submit to ADB reports on the FSPL III implementation and accomplishment of objectives. The reports will cover (i) progress made and specific problems encountered during the 6 months under review, (ii) steps taken or proposed to resolve the problems, and (iii) proposed FSPL activities and expected progress during the following 6 months

16. ADB will send regular review missions to confirm compliance with conditions for the release for the second tranche. Within 3 months from completion of the FSPL III or at such time as deemed appropriate, the Government will prepare and submit to ADB a consolidated program completion report on the overall impact of the policy reforms implemented.

VIII. AUDITING REQUIREMENTS

17. Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

IX. MAJOR LOAN COVENANTS

18. Particular covenants for implementation of the Program are contained in the Loan Agreement under Article IV. In addition to the standard covenants, the Government has to fulfill the conditions specified in the Policy Matrix for the two tranche releases.

X. KEY PERSONS INVOLVED IN THE PROGRAM

19. All official communication related to the Program should be addressed to the following key personnel:

Names	Institution	Position	Address	Telephone / Fax No./ Email address
Jaseem Ahmed	ADB	Director, Governance, Finance, and Trade Division	6 ADB Avenue, Mandaluyong City, Philippines	T: +632 6326455 F: +632 6322331 jahmed@adb.org
Pradeep Srivastava	ADB	Economist (Regional Cooperation), Country and Regional Cooperation Division	6 ADB Avenue, Mandaluyong City, Philippines	T: +632 6326552 F: +632 6362331 psrivastav@adb.org
Le Minh Hung	SBV	Director General, International Cooperation Department, State Bank of Vietnam	47-49 Ly Thai To Street, Hanoi, Vietnam	T: +844 9343364 F: +844 8250612 +844 8258385 adbsbv@hn.vnn.vn

XI. ANTICORRUPTION

20. The Program is subject to ADB's *Anticorruption Policy* (1998). Anyone coming across evidence of corruption associated with the program is required to contact ADB's Office of the General Auditor, which will investigate allegations. Further information on ADB's anticorruption policy is available through ADB's website: <http://www.adb.org> (and selecting 'anticorruption' as topic), or directly through: <http://www.adb.org/Documents/Policies/Anticorruption/default.asp>

POLICY MATRIX

Subprogram I: (1st Tranche Conditions) January 2006–September 2007	Subprogram I: (2nd Tranche Actions) October 2007–February 2009	Subprogram II: Indicative Actions May 2009 –Sep 2010
A. Capital Market Liquidity		
A.1 Market disclosure and dissemination of information		
A.1.1 New Securities Law to be adopted to move toward a disclosure-based regime for the securities market .		
A.1.2 Ministry of Finance (MOF) to issue circular specifying disclosure requirements for issuers, public companies, securities intermediaries, and market institutions	A.1.2.1 State Security Commission (SSC) to provide web-based disclosure of results of auctions including information on volumes, prices, high and low bids for placement of securities via auctions. MOF to disclose on the MOF website information on the structure, outstanding amounts, and borrowing costs with regard to Government domestic securities.	
A.1.3 Securities trading centers (STCs) to publicly disclose on their websites: (i), market indices, volumes traded for all listed securities, and daily high and low prices on a daily basis; and (ii) information on listed company ownership and changes therein by significant shareholders, management and directors, and (iii) audited annual financial statements	A.1.3.1 SSC to require traders to promptly report securities transactions of public companies with securities registered with Viet Nam Securities Depository (VSD) to STCs, including price and volume information and bid/offer spreads	
A.2 Market information standards		
A.2.1. MOF to issue accounting guidelines for stock exchanges	A.2.1.1 MOF to issue (i) regulations for step-by-step implementation of mark-to-market accounting IAS 32 (IAS 32 Financial Instruments: Disclosure and Presentation) into Viet Nam's accounting system, and (ii) accounting guidelines for securities firms and for repurchase agreements	MOF to issue regulation for step-by-step adoption of IAS 39 (Financial Instruments: Recognition and Measurement) into Viet Nam's accounting system
A.2.2 MOF to issue regulation to improve examination quality for certification of public accountants (revise Decision 59 on examination and certification of public accountants), and issue regulation controlling quality of accounting and auditing services	A.2.2.1 MOF to prepare and submit to the Government a draft law on independent audit, including provisions specifying the function of independent business association, SROs, and a road map for delegation of management of the accounting, auditing profession to the association	MOF to submit draft law on independent audit to Government and the National Assembly, and to submit guiding document for the law on independent audit to the Government Office
A.3 Market infrastructure for secondary trading of securities		
A.3.1 MOF to establish a central		VSD to implement automatic

Subprogram I: (1st Tranche Conditions) January 2006–September 2007	Subprogram I: (2nd Tranche Actions) October 2007–February 2009	Subprogram II: Indicative Actions May 2009 –Sep 2010
registry system for listed securities, with ownership evidenced by book entry; and the Government to consolidate depository, clearing, and settlement under a single entity (i.e., VSD) that is legally separate from the STCs		synchronization of records between the head office and the HCMC branch with full implementation of book-entry-based system for public companies
A.3.2 SSC to draft and submit to MOF a plan for establishing a specialized bond trading platform at Hanoi STC	A.3.2.1 Specialized bond trading platform established at Hanoi STC	
A.3.3 Ho Chi Minh STC to become an exchange and be established as limited liability company; SSC to approve exchange rules (listing, trading, membership, and information disclosure) and require the exchange to enforce these rules	A.3.3.1 Hanoi STC and VSD to become limited liability companies; and SSC to approve their rules (listing, trading, membership, information disclosure, registration, depository, settlement, and clearing mechanism)	STCs to prepare plans for ownership diversification for submission and approval by SSC; and plans to address ownership and promote good governance issues
	A.3.4.1 SSC to develop an information technology plan to enable electronic filing by regulated parties (issuers, public companies, regulated intermediaries), enhance SSC's supervision of securities markets, and improve activities to publicly disseminate information	SSC to implement information technology plan
B. Institutional Framework for Securities Issuance		
B.1 Government securities issuance to support the capital markets		
	B.1.1.1 MOF and SBV to establish a department-level working group to promote development of the money and bond markets ^a	
	B.1.1.2 MOF-SBV working group to meet quarterly to exchange relevant information on the development of money and the bond markets (including liquidity forecast by SBV and issuance schedule by MOF)	
B.1.2 MOF to publish calendar of issuance of government bonds on a quarterly basis	B.1.2.1 MOF to (i) establish the task force to develop Government bond market (ii) the task force to have quarterly meeting with market participants to exchange information on issuance of the government securities, and (iii) study and prepare the road map for removal of the interest ceiling in auctions of the Government's securities	MOF to (i) lengthen Government securities issuance calendar, (ii) undertake a study on the feasibility of creating a public debt management office, and (iii) implement road map for removal of the interest rate ceiling as required within the March 2009–September 2010 period

Subprogram I: (1st Tranche Conditions) January 2006–September 2007	Subprogram I: (2nd Tranche Actions) October 2007–February 2009	Subprogram II: Indicative Actions May 2009 –Sep 2010
	B.1.3.1 MOF to prepare a study for establishing a primary dealer system	Implement the primary dealer system as deemed feasible by the study
B.2 Create benchmark issues for Government securities		
B.2.1 MOF to undertake issues of a designated benchmark security in primary debt market to support the formulation of the benchmark yield curve	B.2.1.1 MOF in consultation with SBV to identify and issue appropriate benchmark maturities	
B.2.2 MOF to issue regulation to allow bond issuance in big lots and reopening (Decision 46/2006/QD-BTC)	B.2.2.1 MOF to issue guidelines for buyback of government securities	MOF to develop a plan to restructure outstanding securities issues to create fewer issues of benchmark size
B.3 Develop short end of the bond market		
B.3.1 SBV to use open-market operations to sell treasury bills and SBV bills to absorb excess liquidity to achieve realignment of money market rates	B.3.1.1 SBV to issue a master repurchase agreement and use it in all SBV's repurchase transactions	
B.4 Enhance supply of other securities		
B.4.1 The Government to issue decrees on corporate bond issuances, including bond issuances of equitized enterprises		MOF to establish regulatory framework: (i) to promote the development of independent credit rating agency and (ii) to promote the development of independent bond pricing agency
B.4.2 SBV to impose limits on parent bank lending to leasing subsidiaries	B.4.2.1 SBV to rationalize prudential requirements	
	B.4.3.1 SBV in cooperation with the Supreme Court, to develop an awareness program for leasing stakeholders (e.g., economic court judges and other concerned government officials), and submit it for ADB support	
C. Consumer Protection		
C.1 Improve consumer protection		
C.1.1 A comprehensive Securities Law to be adopted to incorporate international best practices (IOSCO) with regard to investor protection and (ii) regulations on implementing the law to be adopted		SSC to (i) assess implementation of IOSCO principles, and (ii) propose any remedial actions to ensure full compliance of IOSCO principles, including using information technology more effectively to monitor compliance
C.1.2 SSC to develop a master plan for improving market surveillance and compliance	C.1.2.1 SSC to implement master plan, including developing regulation and procedures of market surveillance and compliance	

Subprogram I: (1st Tranche Conditions) January 2006–September 2007	Subprogram I: (2nd Tranche Actions) October 2007–February 2009	Subprogram II: Indicative Actions May 2009 –Sep 2010
C.1.3 SSC to create a new department of market surveillance and compliance	C.1.3.1 SSC to adopt and implement web-based system to facilitate the lodging of investors' complaints to be resolved in line with current procedures	
C.1.4 Government to issue a decree on penalties for administrative offences under the new securities law		
C.1.5 SSC to publish on its website all cases of penalties imposed on regulated persons (e.g., identification of parties sanctioned, sanctions imposed, amount and type of sanctions, and Decision of Imposing Penalties)	C.1.5.1 SSC to publish consolidated tables of all cases and penalties imposed on regulated persons	SSC to review effectiveness of Securities Law, including adequacy of enforcement powers
	C.1.6.1 SBV to draft a decree on bankruptcy of credit institutions, including the role of the Deposit Insurance Agency in the resolution process	
	C.1.6.2 Government to give priority to capital allocation for funding for essential information technology infrastructure to support the Program based upon feasibility studies	
C.2 Strengthen anti-money laundering (AML) regime		
	C.2.1.1 AMLIC to (i) establish information technology system for collecting, processing, and recording information and (ii) increase staff to effectively implement Decree 74 and related regulations	Supervisory authorities, in coordination with AMLIC, to develop and implement procedures and strengthen capacity for effective supervision of AML regulations
C.3 Enhance consumer protection in insurance markets		
C.3.1 Government to issue new decrees 45/2207/ND-CP and 46/2007/ND-CP, replacing decrees 42/2001-ND-CP and 43/2001/ND-CP respectively to strengthen regulation of insurance companies (e.g., "fit and proper" requirements for directors and managers of insurance companies, capital requirements including a simple risk-based capital approach, solvency, policy holder reserving, financial reporting; and internal audit)	C.3.1.1 MOF to implement risk-based capital adequacy framework by initially determining paid-up charter capital corresponding to lines (scope) of business and number of branches, and by setting a schedule in respect of excluded assets partly or in full to determine appropriate solvency margins of insurance firms (through revision of circulars 98/2004/TT-BTC and 99/2004/TT-BTC)	MOF to prepare draft amendments to further implement risk-based capital adequacy supervision

Subprogram I: (1st Tranche Conditions) January 2006–September 2007	Subprogram I: (2nd Tranche Actions) October 2007–February 2009	Subprogram II: Indicative Actions May 2009 –Sep 2010
	C.3.2.1 MOF to adopt regulation on investment-linked insurance products	
		MOF to establish a level playing field between foreign and domestic insurance companies in line with the signed international commitments of Viet Nam
C.4 Regulatory coordination to improve market oversight		
C.4.1 Government to issue directive to improve financial services market oversight	C.4.1.1 The Government to undertake a study, with proposed assistance from ADB, of the institutional framework to strengthen the coordination and cooperation between relevant regulatory agencies for financial market supervision	
D. Regional Cooperation		
D.1 Regional cooperation in development of securities markets		
D.1.1 SSC to enter into MOUs with regional securities regulators to promote sharing of information	D.1.1.1 SSC to (i) conduct an assessment of its ability to meet benchmarks under the IOSCO MMOU and (ii) SSC to develop a road map for SSC to become a signatory to Appendix B of IOSCO MMOU	
	D.1.2.1 SSC to develop regulation giving guidelines for foreign securities investment and provision of securities services	

^a Due to election of a new government and the subsequent restructuring of ministries, the interagency working group is to be established by March 2008.

Source: Asian Development Bank estimates

LIST OF INELIGIBLE ITEMS

No withdrawals shall be made for

- (i) expenditures for goods included in the following groups or subgroups of the United Nations Standards International Trade Classification, Revision 3 (Table), or any successor groups or subgroups under future revisions as designated by the Asian Development Bank by notice to the Borrower:

Table A7: Ineligible Items

Group	Subgroup	Description of Items
112	—	alcoholic beverages
121	—	tobacco, unmanufactured tobacco refuse
122	—	tobacco, manufactured (whether or not containing tobacco substitutes)
525	—	radioactive and associated materials
667	—	pearls; precious and semiprecious stones, unworked or worked
718	718.7	nuclear reactors and parts thereof, fuel elements (cartridges), nonirradiated, for nuclear reactors
897	897.3	jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	—	gold, nonmonetary (excluding gold ores and concentrates)

- (ii) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;
- (iii) payment made for expenditures incurred more than 180 days prior to the effective date;
- (iv) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or agreed to finance, including any contract financed under any loans from the Asian Development Bank;
- (i) expenditures for goods intended for military or paramilitary purposes or for luxury consumption; or
- (ii) expenditures for pesticides categorized as extremely hazardous or highly hazardous in Class 1a and 1b, respectively, of the World Health Organization's Classification of Pesticides by Hazard and Guidelines to Classification.