



Project Data Sheet

Project 48213-001

Project Name	Strengthening Financial Markets
Project Number	48213-001
Country / Economy	Viet Nam
Project Status	Closed
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA 8793-VIE: Strengthening Financial Markets Technical Assistance Special Fund US\$ 600,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships
Sector / Subsector	Finance / Finance sector development - Insurance and contractual savings - Money and capital markets
Gender	No gender elements
Description	
Project Rationale and Linkage to Country/Regional Strategy	
Impact	Market confidence and transparency improved.

Project Outcome

Description of Outcome	Financial market infrastructure strengthened.
Progress Toward Outcome	The TA was approved on 12 December 2015 and became effective on 31 January 2016.

Implementation Progress

Description of Project Outputs	1. Priority upgrades to the prudential framework identified. 2. Support for money market development provided. 3. Efforts to reduce operational risk of bond market transactions initiated.
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Status of Implementation
Progress (Outputs,
Activities, and Issues)

The project team has been closely engaged with SBV since the approval of the TA. International experts were retained and provided advice on establishing and strengthening the central banks' ability to monitor and manage contagion risk. One expert developed a surveillance mechanism for domestic systemically important banks. A second expert then provided a draft circular to support the establishment of a financial stability function in the State Bank of Viet Nam. A follow-on assignment then worked to operationalize this framework by drafting macro-prudential indicators and surveillance systems. However, this assignment has been slowed by a lack of reliable data and conflicting mandates within the central bank and across ministries.

The TA also supported the government's efforts to introduce a money market and derivatives. An international expert was retained and provided a diagnostic of development constraints in the money market. While a derivatives market was eventually launched for stock index futures, the TA disclosed a number of weaknesses including the failure of the legal framework to recognize the concept of beneficial ownership and an absence of provisions assuring offset netting.

To support the development of a domestic bond market, the Ministry of Finance has started a project to review the tax framework applied to the financial system, and to review the related fees applied to financial transactions to determine if they impede the development of the Viet Nam bond market. In addition, a national consultant was retained to develop an enhanced information disclosure framework to improve investor relations and outreach. The TA also supported the launch of a project to migrate the cash settlement leg of government securities transactions to the State Bank of Viet Nam. The project, which is still ongoing, has identified a number of constraints in the securities settlement process, including extended settlement times and elevated operational risk.

Finally, support is being provided to strengthen the legal framework as part of an ongoing effort enhance the government's ability to resolve NPLs and problem banks. Cross-country studies have been completed and delivered and an international legal expert was provided to support the conduct of education and consensus building with the National Assembly. To provide project support, a local administrator with comprehensive knowledge of the local bond market has also been retained.

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

I. Output 1: Supervision and Resolution Framework Improved.

1. National Accounting Expert (Individual or an individual through a firm 3 Person-months, Intermittent)

A. Objective of Assignment:

1. The objective of this technical assistance is two-fold; i) to establish a legal and regulatory framework that will support an ongoing adoption of International Financial Reporting Standards (IFRS) through the revision of Vietnam Accounting Standards, and ii) to provide a catalyst for the production of Vietnamese translation IFRS by the International Accounting Standards Board.

B. Scope of Work:

2. In coordination and cooperation with the Ministry of Finance's Accounting and Auditing Department, the expert will review the existing legal framework, as well as an existing gap analysis between Vietnam Accounting Standards and IAS/IFRS. The expert will provide inputs and assistance to the government to develop an appropriate legal framework, as well as a regulatory regime through which measured adoption of IFRS can proceed. As part of this engagement, ADB will purchase English language translations of IFRS and supporting implementation guidelines. ADB will also purchase licenses sufficient to pattern Vietnam Accounting Standards on IFRS. Capacity development will be provided on those standards which incorporate the concept of _market_ or fair value.

C. Qualifications:

3. The expert shall have at least 15 years of experience working with as an accountant/auditor with a global designation in a regulatory setting, in a public accounting company, or as a senior financial officer in a firm. In addition, the expert will have at least 5 years of relevant consulting experience a majority of which was gained in SE Asia.

2. International Debt Resolution Expert (Individual 3 Person-months, Continuous)

A. Objective of Assignment:

4. The Government has established a plan to reduce the level of nonperforming loans (NPLs) in the banking system by way of an asset management company. The technical assistance will identify appropriate structural improvements and upgraded asset disposition strategies implemented under existing Vietnamese law and as effectively employed by regional peers. Secondly, the technical assistance will identify potential upgrades to the enabling legislation on which VAMC and its operations are based.

B. Scope of Work:

5. The expert will review the VAMC's operational structure, mandate, staffing, procedures and asset disposition methodologies including support systems. The expert will propose recommendations to improve the overall operations of VAMC. Utilizing Vietnamese law pertaining to contracts and bankruptcy, the expert will also propose modifications to asset disposition methodologies to improve their effectiveness. Finally, the expert will provide training covering effective asset disposition practices utilized within the region, identifying which strategies could be employed effectively in Vietnam.

C. Qualifications:

6. The expert(s) shall have at least 15 years of experience as an asset resolution expert. In addition, the expert will have at least 5 years of relevant consulting experience a majority of which was gained in SE Asia.

II. Output 2: Money Market Development Encouraged.

1. National Financial Sector Expert (Individual 6 Person-months, Intermittent)

A. Objective of Assignment:

7. The objective of this assignment is twofold. First, the expert will provide supporting assistance to improve the operation of the money market and to introduce a reliable short-term benchmark interest rate. Second, the expert will provide logistical support to ADB covering the overall delivery of technical assistance and the processing of the proposed Financial Sector Deepening Program, Subprogram 2.

B. Scope of Work and Detailed Tasks:

8. The expert will perform research, develop position papers, and facilitate consensus building to support further development of the money market and a reliable short-term interest rate benchmark. Specifically, the expert will continue the ongoing diagnostic of Vietnam's money market. Through this analysis, the expert will identify key constraints which prevent the market from achieving critical mass, supporting the formation of reliable short-term benchmark interest rates, and developing more sophisticated products such as derivatives. In addition, the expert will coordinate the conduct of continuing surveys to improve SBV's statistical database covering the money market. The expert will assist and support the development of an enhanced outreach program, under local ownership, to identify and address existing and emerging issues (e.g. credit freeze, money market development, FX market and regulatory issues). Finally, the expert will coordinate with ADB's Resident Mission, Project Officers and staff to support the implementation of technical assistance projects and the completion of loan processing including translation. The expert will also coordinate, as requested, with the IMF Resident Representative in targeted studies and training engagements to enhance the technical capacity of SBV.

C. Qualifications:

9. The expert will have at least 7 years of experience with international financial markets, as well as a familiarity with Vietnam's financial sector. In particular, the expert will have a sufficient understanding of national legal and operational issues associated with the development of a money market, experience in conducting research, analyzing data and developing position papers. Fluency in English and Vietnamese is mandatory.

2. International Interbank Market/Lending Specialist (Individual, Individual through a Firm, or a Firm - 3 Person-months, Continuous)

A. Objective of Assignment:

10. The objective of this technical assistance is to improve the function of Vietnam's interbank market by enhancing standards and operations towards international practice. Given the government's emphasis of developing financial markets, including the eventual introduction of derivatives, the focus of the assignment will naturally include identifying measures to encourage and increase interbank activity within acceptable prudential norms. The expert will identify development constraints and propose solutions including most importantly, enhancements to data reporting and transparency.

B. Scope of Work and Detailed Tasks:

11. The expert will work with the national financial sector expert to complement existing diagnostics with adhoc, as needed diagnostics along with regional and international benchmarking exercises. The expert will utilize these diagnostics and benchmarking exercises to provide market education through which stakeholder consensus will be built. With the intent of increasing the level of interbank transactions, the expert will identify and recommend standards of best practice (e.g. market standards), effective legal and regulatory frameworks, appropriate documentation standards, and monitoring systems. In particular, the expert is expected to identify and develop an acceptable solution to the government's request to improve data collection and transparency in the interbank market. After tailoring the recommendations for stakeholder inputs, the expert is expected to provide specific inputs sufficient to support further ADB engagement, if necessary, to provide funding to upgrade the State Bank of Vietnam's IT systems to achieve and maintain sufficient transparency in the interbank money market.

C. Qualifications:

12. The consultant shall have at least 15 years of experience in money market operations as either a practitioner or regulator, although a combination of this experience would be preferred. In addition, the expert will have at least 5 years of relevant consulting experience a majority of which was gained in SE Asia.

3. International Legal Expert-Repurchase Agreements (Firm Output-based Contract)

A. Objective of Assignment:

13. The State Bank of Vietnam has initiated a project to introduce a repo market in Vietnam. The objective of this technical assistance is to build on the initial work performed in an earlier technical assistance project to introduce a domestic repurchase agreement that conforms to international conventions and standards.

B. Scope of Work:

14. The firm will provide support to the State Bank of Vietnam and the Vietnam Bond market Association to introduce the Global Master Repurchase Agreement (GMRA), or a suitable alternative, to the domestic market. The expert will build on earlier work that produced a legal survey designed to identify constraints within the national legal system that prevent or reduce the effectiveness of repurchase agreements. The consultancy will be an output-based contract with the deliverables to be identified after dissemination of the results of the legal survey and further consultations with the stakeholders.

C. Qualifications:

15. The firm shall have at least 15 years of legal experience working in the securities industry with a specialty in repurchase agreements.

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Planned recruitment: (March 2017)

International Bond Tax Expert

National Bond Tax Expert

International Pay Expert

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Planned recruitment (September 2017)

International Consultant and National Consultant for the Review of Bond Market Taxes and Fees

Consulting
Services

Responsible ADB Officer	Schuster, Stephen R.
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SERD
Executing Agencies	<i>State Bank of Vietnam 47-49 Ly Thai To Street Hanoi Vietnam</i>

Timetable

Concept Clearance	07 Oct 2014
Fact Finding	06 Jun 2014 to 23 Jun 2014
MRM	-
Approval	12 Dec 2014
Last Review Mission	-
Last PDS Update	02 Apr 2018

TA 8793-VIE

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Dec 2014	03 Aug 2015	03 Aug 2015	31 Jan 2017	31 Jan 2018	27 Apr 2018

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart		Project Sponsor	Others	Total	Date	Amount
		Gov	Beneficiaries					
600,000.00	0.00	120,000.00	0.00	0.00	0.00	720,000.00	17 Jun 2022	439,505.96

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