

**Financial Sector Deepening Program
RECONCILIATION OF THE ORIGINAL SUBPROGRAM 2
TO THE REVISED SUBPROGRAM 2**

No.		Original Indicative Policy Actions Subprogram 2 (FSDP-SP2) September 2013 to June 2015	Status of indicative Action in Subprogram 2
Output 1 - A Well-functioning Money Market.			
	1.1	Coordinated execution of the money market development master plan achieved.	
1.	1.1.1	MOF and SBV to continue to deepen cooperation.	Completed. Policy Action # 1 and Policy Action # 2.
2.	1.1.2	MMWG continue to implement the tasks assigned in the TOR.	Completed. Policy Action # 2. See below 1.1.3 (i) through (x).
		MMWG completes implementation of principal activities under MMD-MP as follows:	
3.	1.1.3	(i) MMWG, through SBV amends the regulations governing the foreign exchange market to supplement the code of conduct in the FX interbank market.	Completion deferred pending greater development of market players and the draft of a code of conduct.
4.		(ii) SBV, through MMWG continues to encourage the development of an inter-bank money market.	Dropped. This measure is overly broad and was dropped in favor of specific reforms implemented as part of FSPD-SP2
5.		(iii) SBV, through MMWG considers the introduction of new money market instruments.	Completed. Combined with 1.1.3(ix) into Policy Action # 5.
6.		(iv) MMWG to issue circular on brokerage activities to replace Decision 351/2004/QD-NHNN.	Dropped. The proposed reform is no considered relevant at this time due to lack of interest from market participants.
7.		(v) MMWG, through SBV identifies requirements to introduce deposit netting for interbank market obligations to reduce systemic credit risk based on ADB TA findings in support of policy action 1.1.4.	Completed. Combined with 1.1.4 into Policy Action # 4.
8.		(vi) MMWG, through SBV to revise the regulations governing the FX market in the direction that further foreign exchange hedging instruments will be applied to enhance the liquidity of the domestic market.	Completed. Combined with 1.2.1 into Policy Action # 7.
9.		(vii) SBV and MOF continue to coordinate to further deepen the short-term yield curve by further developing the primary and secondary markets.	Completed. Policy Action # 3.

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10.	(viii)	SBV to monitor and enhance the dissemination of domestic currency interbank transactions on its external website within 24hrs.	Completed. Policy Action # 6.
11.	(ix)	SBV, through MMWG proposes legislation to introduce interest rate derivatives.	Completed. Combined with 1.1.3(iii) into Policy Action # 5.
	(x)		
12.	1.1.4	SBV, through MMWG identifies impediments to introducing the Global Master Repurchase Agreement (GMRA) to Vietnam. As possible, given identified impediments, SBV through MMWG drafts and adopts the GMRA with Viet Nam annexes.	Accomplished. Combined with 1.1.3(v) into Policy Action # 4. However, the diagnostic noted several constraints, before unknown, that would prevent the proper function of a repo market; the securities settlement system takes excessive time to record repos, and close-out netting is not assured.
13.		MOF in cooperation with SBV, through MMWG reviews and amends regulations governing the accounting and taxation of repurchase transactions to facilitate and encourage use of the GMRA.	Without the prospect of an imminent launch of a repo market, this policy action was delayed to provide for more appropriate sequencing.
	1.2	Legal and operational framework for the money market strengthened.	
14.	1.2.1	SBV through MMWG to improve monitoring through extraction and collation of information on foreign currency transactions in the interbank market.	Completed. Combined with 1.1.3(vi) into Policy Action # 7.
15.	1.2.2	Review Circular 35/2011/TT-NHNN to further improve disclosure and transparency.	Completed. However, this action was dropped to further streamline and focus the program.
16.	1.2.3	SBV to improve the legal framework to strengthen supervisory oversight covering bank liquidity standards.	Completed. Policy Action # 8.
17.	1.2.4	SBV to continue issuing legal documents to implement the SBV law and Law on Credit Institutions.	Completed. Policy Action # 10.

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18.		SBV to review the Law on Negotiable Instruments.	Dropped. This action was not aligned with the timing of government's legislative review and revision process.
Output 2 - A Deeper and More Liquid Nonbank Financial Market.			
	2.1	Enabling environment established.	
19.	2.1.1	Government reviews compliance with, and effectiveness of all legal instruments issued under Subprogram 1 governing the issuance of government debt.	Completed. Combined into Policy Action # 12.
20.	2.1.2	MOF to implement the bond market development road map.	
21.	2.1.3	MOF implements Decree 90/2011/ND-CP on issuance of corporate debt and reviews the effectiveness of the decree based on the size and volumes of corporate debt issued.	Completed. However, the review did not identify an immediate need to revise the framework for the issuance of corporate bonds.
22.	2.1.4	MOF continues to tighten information disclosure, monitors compliance with Decree 90/2011/ND-CP and issues sanctions for non-compliance.	Completed. However, the review did not identify an immediate need to revise the framework for the issuance of corporate bonds.
	2.1.5		
	2.2	Development of a risk-free yield curve.	
	2.2.1	MOF to continue strengthening the primary issuance process in line with Circular 17/2012/TT-BTC of 8 Feb 2012 by;	Completed. Policy Action # 13.
23.		(i) Enhancing the operations of the primary dealer system by establishing the rights and obligations of primary dealers	
24.		(ii) Encouraging competition between primary dealers by establishing and operating an annual review process.	
25.	2.2.2	MOF to continue large-lot size issuance to facilitate liquidity in the bond market.	Completed. Combined into Policy Action # 12 with 2.1.1 and 2.1.2.
26.		MOF to consider issuance of longer-tenor government securities.	

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	2.3	<i>Information disclosure and transparency increased.</i>	
27.	2.3.1	MOF to monitor information disclosures under Circular 52/2012/TT-BTC and evaluate the effectiveness of the framework.	Completed. Policy Action # 15.
28.	2.3.2	MOF, through SSC publishes corporate governance rankings of publically listed companies by group using the ASEAN CG Scorecard.	Completed. Policy Action # 22.
29.	2.3.3	SSC to use the website to disclose all violations and sanctions.	Completed. Combined into Policy Action # 16 with 2.4.4.
	2.4	<i>Legal, supervisory, and regulatory environment improved</i>	
30.	2.4.1	MOF adopts a Decree and implementing circular covering administrative sanctions for violations of the LIA.	Completed. Policy Action # 17.
31.	2.4.2	HNX monitors and ensures continuing compliance with the code of conduct” which is reflected through the Code of ethics and professional conduct enclosed with Decision no 91/QĐ-HĐQT dated 31/7/2012 of HNX.	Completed. However, the nature of this reform is ongoing and HNX has not yet identified a need to modify the code of conduct. Thus, there is no corresponding policy action in FSDP-SP2.
32.	2.4.3	SSC to develop an action plan to address issues identified in the assessment based on the IOSCO principles in line with the Securities Market Strategy 2011-2020.	Completed. Combined with 2.5.2 into a broader reform which is Policy Action # 9.
33.	2.4.4	MOF implements the Decree on approval.	Completed. Combined into Policy Action # 16 with 2.3.3.
	2.5	<i>Financial system stability and efficiency strengthened.</i>	
34.	2.5.1	MOF, through SSC, and VSD to study the suitability of converting to and/or establishing a CCP.	Completed. Combined into Policy Action # 21.
35.		MOF, through SSC (and VSD), and SBV to study ways to transfer the cash	However, the development of securities borrowing and lending has been deferred pending the

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		settlement function for government bonds to SBV in accordance with the Prime Minister's Directive No 08/CT-TTg dated 2 March 2012.	completion of more critical reforms.
36.		SSC and VSD formalize securities borrowing and lending through issuance of appropriate guidelines.	
37.	2.5.2	ISA initiates corrective action to address areas of non-compliance in accordance with the roadmap.	Completed. Combined with 2.4.3 a broader reform which is Policy Action # 9 with 3.2.
38.	2.5.3	MOF to study the pre-conditions for and viability of applying Solvency 1 in Viet Nam.	Completed. However, the review disclosed that data availability issues would not support the migration to Solvency 1.
39.	2.5.4	MOF through ISA to implement Circular 101.	Completed. Policy Action # 23.
40.	2.5.5	MOF, through SSC to develop an action plan to merge HNX and HOSE as mandated in the Securities Market Strategy 2011-2020.	Completed. Policy Action # 20.
	Output 3 - Capacity of Public and Private Institutions in the Financial Sector Improved		
41.	3.1	MOF to continue building capacity on in-house debt sustainability analysis.	Completed. Policy Action # 24.
42.	3.2	MOF, through ISA to improve legal framework to close gaps from international sound practice.	Completed. Combined with 2.4.3 a broader reform which is Policy Action # 9.

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43.	3.3	<p>Under the accounting and auditing strategy and roadmap (Prime Ministers Decision #480), MOF will begin the alignment of VAS to IAS and IFRS as follows:</p> <p>(i) MOF will submit to the Government a proposal for amending the accounting law to facilitate the introduction of fair value into VAS consistent with IAS 32, IAS 39, and IFRS 7;</p> <p>(ii) Upon approval by the Government, MOF will establish a drafting committee for amending the accounting law in line with (i) above, and</p> <p>(iii) MOF will prepare an outline of the proposed amendment of the accounting law and circulate within the drafting committee for comments and subsequent approval of the Vice Minister, Finance.</p>	Completed. Policy Action # 19.
44.	3.4	SSC implements the plan supported by an appropriate budgetary allocation.	Dropped. SSC does not have the budget to support a large-scale structured training program. ADB has proposed a project loan to support this initiative.
45.	3.5	SBV to implement the human resource development (training) supported by available budget, with emphasis on monetary policy and policy makers responsible for development of the money market.	Completed. Policy Action # 25.