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Review Article

Banking Supervisory Power, Responsibility and Process under Requirements of Basel Committee and a Glance on Some Actual Implementations in Vietnam

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Abstract: Banking supervision is an activity of the State Bank in collecting, synthesizing and analyzing information on subjects of banking supervision through the information and reporting system in order to prevent, detect, prevent and promptly handle risks causing unsafety to banking operations, violating regulations on safety of banking operations and other relevant laws. This article focus on the first 13 BCPs, which are about how countries should organize their national frameworks for banking supervision. These 13 BCPs establish requirements on supervisory powers and responsibility (BCP1-7) and supervisory process (BCP8-13). The writing also gives some examples (corresponding to some contents of BCPs) from the actual implementation in Vietnam - a typical developing country in south-east Asia and has been striving to apply international best practices for strengthening banking supervision.

Keywords: Banking supervisory power, responsibility and process, committee, actual implementations.

I. INTRODUCTION

Suppress banking supervision in order to contribute to ensuring the safe and healthy development of the system of credit institutions and the financial system; protect the legitimate rights and interests of depositors and customers of credit institutions; maintaining and enhancing public confidence in the system of credit institutions; ensure the observance of monetary and banking policies and laws; contribute to improving the efficiency and effectiveness of state management in the monetary and banking sectors.

First introduced in 2002 and revised in 2012, the Basel core principles of effective banking supervision (BCPs) are used around the world as a benchmark by which countries evaluate the performance of their banking supervision systems and help figure out areas needed further improvement.

As mentioned above, the latest amendment of the BCPs was issued by the Basel Committee on Banking Supervision (BCBS) in 2012. Changes made in this version incorporate lessons learned from the financial crisis and are intended to raise the overall standard of banking supervision. All the principles have essential criteria against which assessments can be made. In the latest version, the BCBS has also set out additional criteria for certain BCPs.

The changes made in this version include lessons learnt from the financial crisis and the purpose of the changes is to improve the overall requirement for banking supervision. All of the principles include essential criteria for assessing the quality and effectiveness of bank supervision. In the 2012 version, BCBS also introduced additional criteria for some BCPs.

II. SUPERVISORY POWER AND RESPONSIBILITY

This content includes BCP1 to BCP7, in which, the first three BCPs establish the legal and institutional arrangements that are fundamental to effective banking supervision. They set out scopes and key criteria of: Responsibility, objectives and powers (BCP1); Independence, accountability, resourcing and legal protection for supervisors (BCP2); Cooperation and collaboration (BCP3).

Essential criteria set out in BCPs 1 to 3 provide the foundation for more specific requirements described in subsequent BCPs. For example, BCP 1 requires that supervisors must have appropriate legal powers to set and enforce prudential requirements. Major shortcomings identified in a country's compliance with these first three BCPs will likely affect a supervisory authority's ability to implement requirements noted in the other BCPs as well. Conversely, the existence of legal powers and institutional arrangements alone are also insufficient to meet the expectations of the other BCPs.

Going through BCP1 to BCP7 provides a close look on how supervisory power and responsibility established in the view of Basel Committee.

1. Responsibility, objectives and powers (BCP1)

There are two key requirements to show that a country complies with this principle:

- *Clear mandates and responsibilities:* BCP 1 requires national supervisory frameworks to establish clear responsibilities and objectives for supervising not only banks but also other members of banking groups. Unless otherwise stated, any subsequent reference to a bank in this suite of tutorials would also include other members of its banking group. A banking group includes the holding company, the bank, subsidiaries, affiliates and joint ventures, both domestic and foreign. The BCPs also stress that risks from other entities in the wider group, for example non-bank (including non-financial) entities, may also be relevant for group-wide supervisory purposes, even if they are not consolidated for financial statement purposes.

The primary objective for banking supervision is to promote the safety and soundness of banks and the banking system in general. There may be instances where a banking supervisor is assigned broader responsibilities, such as financial sector development or investor protection. In these situations, BCP 1 specifies that these other objectives must be subordinated to the primary objective.

- *Comprehensive legal framework:* BCP1 states that authorities responsible for banking supervision must have legal powers to:

- Authorize banks and impose approval requirements for significant changes in their organizational structure.
- Set and enforce prudential requirements. In addition, national laws should enable such requirements to be varied depending on the risk profile and systemic importance of a bank.
- Conduct ongoing supervision with full access to the board and employees of a locally incorporated bank and to review its records and business activities. Such access is required on a domestic and cross-border basis.
- Require a bank to take corrective action or impose a wide range of sanctions to address identified supervisory concerns.
- Collaborate and share information with relevant domestic authorities and foreign supervisors responsible for the bank. Such powers must also ensure confidentiality of information is protected by all parties.
- Review activities of parent companies and companies affiliated with these parent companies to better understand safety and soundness implications for the bank.

2. Independence, Accountability, Resourcing and Legal Protection (BCP 2)

- *Operational Independence*

It is essential that supervisory authorities are able to pursue their ultimate objective – promoting the safety and soundness of individual banks in particular and the banking system in general – free from the influence of other interested parties. That is why BCP2 sets out the following requirements for operational independence:

- Governance arrangements should ensure that supervisors are able to take any supervisory decisions on banks without interference from the government or the industry.
- The supervisor must also be able to finance its operations in a manner that does not undermine its autonomy and operational independence.

The process for the appointment and removal of the heads of a supervisory authority must also be transparent. Removal is only possible for reasons specified in law, with these reasons also publicly disclosed.

- *Accountability*

Supervisors are required to publish their objectives and be accountable, through a transparent framework, for the discharge of their duties in relation to these objectives. Additionally, internal governance and communication processes must be in place within the supervisory agency to facilitate effective decision-making. These arrangements should:

- Take into account the significance and time-sensitive nature of a particular supervisory issue. For example, decision-making may be more time-sensitive during crisis periods.
- Ensure any potential conflicts of interest can be avoided.

- Legal Protection

This expectation can be directly linked to BCP 11 – Corrective and sanctioning powers of supervisors. To the extent that supervisory actions are taken in good faith, adequate legal protection for supervisors is crucial for implementing corrective measures to address areas of concern identified within a bank. Without such support, a supervisor's 'willingness to act' may be affected.

- Adequate Resources

Supervisory agencies must have access to sufficient resources. This is fundamental to effective banking supervision. BCP 2 also emphasizes the importance of adequate resources to:

- Attract and retain staff of sufficient quantity and with the skills necessary to conduct supervision of banks of varying significance and with different risk profiles.
- Continuously enhance internal staff capacity through training.
- enable staff to conduct their supervisory assessments effectively with allocations for travel (for purposes of on-site visits and cross-border collaboration) and technology investments.
- Be able to engage external expertise, where necessary, to support the supervisory process.

Supervisory authorities are also expected to reassess financial resources and staff capacity on an annual basis and put in place appropriate plans to address any identified gaps.

3. Cooperation and Collaboration (BCP3)

BCP3 states that formal and/or informal cooperation and information sharing arrangements among domestic and foreign authorities must be in place. Tools and platforms, such as memoranda of understanding and supervisory colleges, are used to support supervisory cooperation. These arrangements should also facilitate bank resolution. Additionally, any cooperation arrangements must be supported by tools to protect the confidentiality of any information provided or received by bank supervisors.

4. Entry into Banking (BCP4 & BCP5)

The efficient functioning of the banking system is materially dependent on there being confidence in entities that call themselves 'banks' and offer banking services, especially deposit taking. Also, deposit-taking institutions may have access to financial safety nets, such as deposit guarantees or emergency liquidity assistance from central banks, which are not available to other entities outside the banking system.

Because of that reason, BCP4 – Permissible activities and BCP5 – Licensing criteria seek to ensure that any entities intending to use the word 'bank' (or any derivation of the word) in their name and conducting 'banking activities' are licensed before commencing operations and must be subject to supervision. BCP4 requires countries to clearly define the term 'bank' and the activities a licensed bank can offer. It also requires the public to have ready access to the name of all entities licensed to operate as banks in a particular jurisdiction. While, BCP 5 is intended to ensure that an entity can only be allowed to operate as a bank if it fulfils specific prerequisites and continues to meet such requirements on an ongoing basis. As such, national supervisors must be able to set the entry criteria and reject the application of any entity that does not fulfil the conditions established [1].

5. Changes in structure (BCP6 & BCP7)

For licensed banks, the BCPs also specify that any significant changes in the ownership structure of the bank or any major acquisitions being planned must be subject to supervisory review and approval.

Under BCP 6 – Transfer of Significant Ownership, the bank supervisor (or licensing authority, where separate) must have the legal capacity to review, reject and impose prudential conditions on any proposals to transfer significant ownership (including beneficial ownership) or controlling interests held in existing banks to other parties. Legal powers must also be available to prevent the exercise of voting rights in respect of such investments, as well as to modify or reverse changes in significant ownership. These requirements intend to ensure that any new significant shareholders are suitable and meet the licensing criteria imposed at entry. BCP6 requires supervisors to clearly define what constitutes 'significant ownership' and 'controlling interest'. While, BCP7–Major Acquisitions aims to ensure that

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[1] when foreign banks establish a branch or subsidiary, the host supervisor must determine if the home authority has any objections to the application. Additionally, the host supervisor must determine whether the home supervisor practices global consolidated supervision. This is to ensure that the responsibility for supervising the bank's operations within the host country is not just left to the host authority.

any new acquisitions or investments that a bank makes do not expose it to undue risks or hinder effective supervision. Such acquisitions should also not hamper the implementation of any potential corrective action. The types and amounts of acquisitions and investments that need prior supervisory approval have to be clearly defined by law or regulation. In addition, the supervisor must establish the assessment criteria used to judge individual proposals submitted by banks with consideration being given to:

- The ability to access information critical for consolidated supervision. The supervisor must be able to prohibit banks from making major acquisitions/investments (including establishing foreign branches or subsidiaries) in countries with prohibitive secrecy laws/regulations regarding information flows
- The bank's financial and organizational capacity to support the acquisition/investment
- the effectiveness of supervision in the host country and its own ability to exercise consolidated supervision
- Non-banking risks that the bank may be exposed to as a result of the acquisition/investment and its ability to effectively manage these risks. The supervisor must also have the capacity to take actions that mitigate such risks

III. SUPERVISORY PROCESS

1. Supervisory Approach (BCP8)

BCP8 emphasizes that an effective approach to banking supervision can be achieved through a supervisory framework that has the following key attributes:

- Holistic: On an ongoing basis, the supervisory framework must enable a thorough understanding of the risk profile of a bank, the risks it poses to the banking (or wider) group it belongs to and the risks it presents to the safety and soundness of the banking system.

- Proportionate: The supervisory intensity applied to a particular bank should take into consideration the bank's risk profile and systemic importance.

- Forward-looking: Supervisors must establish a forward-looking view of the bank's risk profile and consider such assessments when undertaking supervisory work.

- Incorporates Macro-Level Assessments: Risk assessments of banks and banking groups should take the macroeconomic environment into consideration. Together with other relevant authorities, the supervisory framework should also facilitate the identification, monitoring and assessment of risks building up in the overall banking system. Such system-wide analyses are factored into the risk assessment process of a bank.

- Facilitates Resolution: The supervisory framework must facilitate the assessment of a bank's resolvability. This should be done together with the resolution authority, where these are separate. The framework should also allow supervisors to impose measures on banks to improve their resolvability and allow the timely implementation of resolution measures in periods of stress.

2. Key Components of the Ongoing Supervisory Process

Three specific BCPs have been established by the BCBS to cater for distinct but interlinked aspects of the supervisory process for banks: Supervisory Techniques and Tools (BCP9); Supervisory Reporting (BCP10); Corrective and Sanctioning Powers of Supervisors (BCP11).

These BCPs do not prescribe or give preference to a particular supervisory model. Countries are assessed based on how their supervisory frameworks have achieved the intended outcomes of the BCPs rather than how their supervisory frameworks have been structured.

- Supervisory Techniques and Tools (BCP9)

The objective of BCP 9 is to ensure supervisors use an appropriate range of techniques and tools to effectively provide oversight to their banks consistent with their overall supervisory approach. Key requirements of this BCP relate to the following:

+ Ongoing Supervisory Work: Supervisors rely on an appropriate mix of both on-site and off-site supervisory work to conduct their assessment of a bank's business operations and its risk profile. The mix will depend on the specific circumstances of the country and the bank in question. If independent third parties, such as auditors, are used to support the supervisory process, the accountability for prudential supervision remains with the supervisor.

+ Analytical Tools: The assessment of the safety and soundness of banks and the overall banking system should be undertaken using a variety of tools at the institutional and system-wide level. At an institutional level, the following should be undertaken: (i) an analysis of financial statements and accounts; (ii) a business model analysis; (iii) a review of the outcome of stress tests undertaken by the bank; (iv) an analysis of corporate governance practices, including risk management and internal control systems. Meanwhile, at a system-wide level, this could potentially involve supervisors conducting supervisory stress tests at the individual bank and banking system level, together with other relevant authorities.

+ Access to Information: Supervisors must have access to a wide range of information to facilitate ongoing supervision. Such information can be sourced from the banks, as will be discussed in BCP 10 – Supervisory reporting, or from publicly available sources. It is important that supervisory agencies have information systems in place to facilitate the capture, processing and analysis of this information.

+ Engagement with the Bank: Sufficiently frequent engagement between the supervisor and the bank must occur at various levels, such as at board of director, senior and middle management and control function levels. This should allow for a better supervisory understanding of the bank's strategy, business model, governance and control structure, risk exposures and risk management. Supervisory findings should be communicated to the bank's management in a timely manner. These findings should also be discussed with the board, as appropriate. Supervisors should meet independent members of the board separately, where necessary. Timely follow-up work should be done to gauge whether supervisory issues have been addressed. Depending on the severity of the issue, appropriate escalation procedures should be established where these concerns have not been satisfactorily dealt with.

- Supervisory Reporting (BCP10)

To facilitate the supervisory oversight process, BCP 10 requires supervisors to have the necessary legal and operational capacity to collect, review and analyse prudential reports and statistical returns submitted by banks on a wide range of information. The information collected from banks must be:

+ Comprehensive: Information should be made available by banks on a solo and consolidated basis. Submissions should contain information that facilitates assessment of a bank's financial condition, performance and risks.

+ Based on Accounting Principles but Not Limited by Accounting Standards: Banks should prepare their supervisory submissions using the reporting guidance provided by supervisors. Such guidance should draw on accounting principles and rules that are widely accepted internationally. However, this does not mean that supervisory reporting must be limited by accounting standards. Supervisors must be able to require banks to provide information beyond accounting reports.

+ Credible: The validity and integrity of the information provided by banks to supervisors must be periodically assessed by either supervisors or external experts. For example, supervisors must ensure that the methodologies used to produce valuations (such as for determining the fair value of illiquid positions) are subject to sound governance structures, control procedures and independent validation.

+ Comparable: Information should be collected from all banks and all relevant entities covered by consolidated supervision on a comparable basis. The data should cover the same dates (stock data) and periods (flow data).

+ Timely: The frequency of the collection and analysis of bank submissions should be commensurate with the nature of the information and the risk profile and systemic importance of the bank. There may be instances where supervisors will need such information on demand. Supervisors must have the legal power to make such requests. Similarly, banks must also have the capacity to meet such requirements.

- Corrective and Sanctioning Powers of Supervisors (BCP11)

BCP11 requires that supervisors have the power to correctly identify shortcomings and impose required sanctions. Effective corrective action should be:

+ Pre-emptive: Key supervisory concerns should be raised with the bank's senior management (and board, where necessary) at an early stage. For instance, supervisors should be able to intervene well in advance if there is a risk a bank could breach its minimum regulatory capital requirement or if significant risk management shortcomings have been identified.

+ Flexible: Supervisors need to have a wide range of tools to address the concerns that may arise in banks under different circumstances. For example, the actions that might be taken when a bank has breached its minimum regulatory capital requirement would be different from those available to prevent the bank from breaching these requirements in the first place.

+ Coordinated: In resolving a problem bank, any measures taken should be implemented in collaboration with other relevant authorities.

+ Comprehensive: Supervisors should apply sanctions not only to the bank, but where necessary, to the management, board or individual employees of the bank as well. In addition, supervisors should be able to implement measures to protect the bank from the actions of parent companies, subsidiaries and other related entities of the bank.

3. Consolidated Supervision (BCP12)

Banks undertake a variety of business activities across many countries. As a result, it is important that banking groups are supervised on a consolidated basis given that risks can emerge from any part of a group (this, however, does not diminish the need for supervision on a standalone or solo basis). Given these circumstances, there are a number of key supervisory outcomes that BCP 12 seeks to achieve.

- Comprehensive Scope: The scope of consolidated supervision should be comprehensive and cover non-banking entities within the group. In addition, it must cover the parent company of the bank, as well as any affiliated companies of the parent company.

- In-depth Understanding: The supervisory regime must enable an in-depth understanding of the banking group's operating structure, its material activities and the way risks are managed on a group-wide basis.

- Wide Application of Prudential Standards: Prudential standards, and the collection and analysis of critical information, need to be applied on a consolidated basis to the banking group, covering areas such as capital adequacy, large exposures, exposures to related parties, lending limits and group structure.

- Available Corrective Measures: If oversight by the bank and/or supervision by the host supervisor are inadequate relative to the riskiness of a particular foreign operation, home supervisors must be able to limit the banking group's activities and the locations in which these activities are conducted. Possible actions include requiring the closure of the foreign operations.

- Effective Host Interactions: The home supervisor must assess the effectiveness of supervision in host countries where its bank has material operations. Sufficient interaction must also occur between the home supervisor with the bank's foreign operations (including on-site visits) and its host supervisor, proportionate to the risk profile and systemic importance of these operations.

- Adequate Management Oversight: A bank's senior management must be required to provide adequate oversight of its foreign operations, and there should be no impediments to them accessing material information from these entities.

4. Home-Host Relationships (BCP13)

For cross-border banking groups, the BCPs emphasise the importance of effective information sharing and cooperation arrangements between home and host supervisors. They are essential to support the supervision of the entire banking group. BCP 13 sets out the following key requirements in this regard:

- Supervisory Colleges: Home supervisors of banking groups that have material cross-border operations should establish supervisory colleges to enhance the oversight of said groups. The structure and membership of these colleges depends on the specific circumstances of each banking group.

- Timely Information Sharing: Information sharing arrangements between home and host supervisors (both bilateral and multilateral) should facilitate timely access to critical information for normal ongoing supervision and during crisis periods. Such arrangements can be undertaken either through formal (such as memoranda of understanding) or informal arrangements.

- Coordinated Work and Actions: There should be effective planning and coordination of supervisory work by home and host supervisors to improve the supervisory process for cross-border banks. Coordination arrangements also need to be established, together with resolution authorities, to deal with crisis management and the resolution of problem cross-border banks. Since the financial crisis that began in 2007, all global systemically important financial institutions (G-SIFIs) have been required to establish crisis management groups (CMGs). These CMGs are intended to facilitate the coordination of resolution measures and information sharing arrangements among their members. The home and all key host authorities of G-SIFIs are expected to take part in the CMGs.

- Consistent Requirements: Foreign banks operating in a host country must be subject to prudential inspection and regulatory reporting requirements similar to those of a domestic bank. In practice, there may be some differences where foreign banks operate as a branch in a particular jurisdiction. Foreign branches are not legally separate from the parent bank and generally do not have capital of their own. As such, they may not be subject to certain prudential requirements, such as capital adequacy. But the host authority may impose 'capital equivalency' type requirements, such as the maintenance of a certain amount of high-quality assets that must be held in the host jurisdiction.

IV. Glance on some actual implementations in vietnam

Vietnam is a developing country. It has one of the most dynamic economies all over the world with impressive annual growth rate (at about 5.9% in the period 2010-2020). As a developing economy, the financial capital is the key element for the development; this capital desire promotes the establishment and expansion of banking system. Until June 2021, Vietnam has 45 commercial banks (16/45 banks are recognized as Domestic Systemically Important Banks – DSIBs), 50 foreign bank branches and more than 1.200 non-bank credit institutions (including financial/leasing companies, people credit funds…).

To manage the banking system effectively, State Bank of Vietnam has determined banking supervisory framework is the most important element and allocated most resources for strengthening the supervisory system. The application of Basel standards has been initially implemented since 2005 when the State Bank of Vietnam (SBV) issued Decision 457/2005/QD-NHNN (regulations on prudential ratios in the operation of credit institutions) based on a number of Basel standards I. This issuance paved the very first bricks for more effective banking supervision activities.

Based on quick research, this article provides a quick glance on some actual implementations of Basel core principles on effective banking supervision in Vietnam [2]:

- State Bank of Vietnam (SBV) issued circulars to establish requirements and guidelines for approving changes of credit institutions, such as Circular 50/2018/TT-NHNN on application, process for approving changes of commercial banks and foreign bank branches in Vietnam; Circular 05/2018/TT-NHNN on application, process for approving change of name of people credit funds; Circular 25/2017/TT-NHNN on application, process for approving changes of leasing companies and financial companies…

- State Bank of Vietnam (SBV) issued circulars to establish requirements for the safe operations of credit institutions, such as Circular 22/2019/TT-NHNN on limits, prudential ratios for operation of commercial banks and foreign bank branches in Vietnam; Circular 23/2020/TT-NHNN on limits, prudential ratios for operation of leasing companies and financial companies… Specially, State Bank of Vietnam issued Circular 41/2016/TT-NHNN on prudential capital ratio of commercial banks and foreign bank branches in Vietnam and Circular 13/2018/TT-NHNN on internal control system of commercial banks and foreign bank branches in Vietnam. These two circular marked the typical changes to risk-based approach of Vietnam banking supervision activities.

- In Vietnam, the banking supervisory agencies is empowered by law to implement on-site and off-site supervision on credit institutions (i.e., banks) and subsidiaries of credit institutions, as well as non-bank entities (Law 46/2010/QH12 and Decree 26/2014/ND-CP, Decree 43/2019/ND-CP).

Basically, supervisory agencies in Vietnam are empowered to implement supervision and examination to the credit institutions with full access to the board and all employees; also, supervisory agencies are able to conduct the action outside border if necessary. However, Vietnam supervisory agency has not conducted any on-site examination in a different jurisdiction so far.

- Supervisory agencies in Vietnam have right and responsibility to warn and ask credit institutions to take timely corrective actions if any shortcomings in the credit institutions' operation found.

- The domestic collaboration and information sharing are conducted quite effectively in Vietnam. Banking supervisory agency and relevant authorities (such as State Securities Commission, National Financial Supervision Committee, Ministry of Finance…) regularly (and at any time if needed) share information under law regulations and more-detailed by Memoranda of Understanding. Moreover, there was a collaborated examination on a commercial bank conducted with the participation of State Audit, Government Inspection, and National Financial Supervision Committee.

Besides, Banking Supervisory Agency establishes and maintains cooperation with the foreign counter-authorities by signing memoranda of understanding with main contents focusing on sharing information on supervision as well as bank resolution. Up to now, Banking Supervisory Agency of Vietnam has signed memoranda with many foreign counter-authorities.

- The banking supervision activities regulated by Law on State Bank of Vietnam, in addition, the on-site examination regulated by Law

[2] cannot fully reflect the actual implementation in Vietnam

on Inspection. Therefore, supervisors can make any decisions based on their findings which are documented and keep confidential until the on-site examination conclusion issued.

- On a yearly basic, State Bank of Vietnam allocate financial resources to Banking Supervisory Agency (and the other units in banking supervision system) as their request, and review and approve the unexpected need of financial resources araised during financial year. Basically, Banking Supervisory Agency and the other units in banking supervision system receive enough finance for their independent operation…

- Only entities licensed by the State Bank of Vietnam are allowed to use words relating to banking activities (i.e., bank, leasing company, financial company…). This requirement is regulated by Law on Credit Institutions (Law 47/2010/QH12). Furthermore, State Bank of Vietnam also issued many Circulars regulating the application, process to approve the new-established credit institutions and submissions of existing credit institutions.

These above facts may reveal that the fundamental principles are implemented in a relatively methodical and complete way. In other words, banking supervisory agencies in Vietnam have powers and responsibilities to conduct supervision mission.

- On the part of supervisory process, Law on State Bank of Vietnam (article 51) regulates that: (i) banking inspection and supervision shall be carried out on the principle of inspection and supervision of all activities of credit institutions; (ii) combine inspection and supervision of the observance of monetary and banking policies and laws with inspection and supervision of risks in the activities of subjects of banking inspection and supervision...

Under Law on State Bank of Vietnam, Law on Inspection, State Bank of Vietnam has issued Circular regulating the process of conducting banking inspection (Circular 36/2016/TT-NHNN), Circular regulating the process of conducting banking supervision (Circular 08/2017/TT-NHNN) … Furthermore, State Bank of Vietnam has launched a technological system to facilitate supervision and inspection activities. These actions are the realization of the 5 remaining principles at a certain level.

V. CONCLUSION

The basic principles of powers, responsibility, and process of banking supervision of the Basel committee set out basic and clear requirements for the organization and authority of the banking supervisory agencies of a country. Adhering to and creatively applying these principles on a country-specific basis is essential to ensure efficient and secure management of the banking system. Vietnam has shown determination in reforming and strengthening the capacity of the banking supervision system, however, in order to soon comply with all the criteria for effective banking supervision, perhaps more in-depth studies and practical tests are needed.

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