COMMENTS OF VBF BANKING WORKING GROUP ON THE DRAFT CIRCULAR REPLACING DECISION 493/2005/QD-NHNN AND DECISION 18/2007/QD-NHNN ("THE DRAFT")

Presented by
VBF Banking Working Group

I – GENERAL

The most important change in the new regulation is that the State Bank of Vietnam (the "SBV") requires all credit institutions to build the internal credit grading system with a set of criteria and weights which are issued by the SBV. We are aware of the SBV's purpose to give out the standard criteria for commercial banks in Vietnam in implementing credit rating for a customer in order to assess objectively for decision making. As such, it requires a huge investment in IT and human resources to set up customer's data base.

From the point of view of VBF Banking Working Group ("BWG"), the new credit rating system, which rates the customers, classifies debts and makes provisions based on the consolidation of customer classification process in business sector, scale, analysis of financial indicators, non-financial indicators and security assets will provide the following advantages:

1. Financial and debt repayment capability will be evaluated specifically for each customer;
2. The assessment and rating of customer will be more accurate in order to have appropriate measure of credit quality;
3. Comparable customers will be managed similarly from stage of assessment, approval, granting credit to assessment, rating and debts classification;
4. The accurate assessment on financial and debt repayment capability will be managed, supplemented and updated at least once in every year in order to accurately adjust the debts classification result and impose timely supervision measure on customers whose debt repayment capability decreases.

The above-mentioned points are benefits that the new credit rating system may bring to domestic banks in Vietnam, especially when these banks are in the process of building up and complete their operating system in order to improve their development ability and service quality to meet market's demand. However, the application of this system shall take into consideration of some adverse impacts as follows:

- No Central Bank requires all commercial banks to apply the same internal credit grading system;
- Mandatory standardization of internal credit grading process/system while such required internal credit grading process has not been tested would expose the whole banking system to a risk of not fairly rating customers by all banks. This will also leave no room for the bank to have its own risk-based assessment of customer, which is not sensible from risk management perspective.

We, foreign bank branches and 100% foreign owned capital banks operating in Vietnam, would like to seek the SBV's consideration to allow us to apply our internal procedures on debts classification and credit risk provisions for the following reasons:

- A branch or a 100% subsidiary is a dependent unit of the parent bank. Thus, the internal operation of the entity shall comply with internal policy and procedures of the parent bank, including internal credit rating system, debts classification and risks provisions; this is a compulsory function for an overseas entity.

- Local subsidiaries of the oversea parent bank are currently applying the same system with the whole group, which has been completed, tested and standardized for a long period of time and through various practices from the group's operations in different regions and markets. This rating system has been built in accordance with Basel II Accord. Moreover, our credit applications are approved in Head Office based upon our internal rating system. As a result, if subsidiaries and branches in Vietnam are required to build a different rating system only to be used in Vietnam, it will be inappropriate.

- The granting of credit facilities to customers being multinational corporations shall depend on the credit limits provided by the parent bank to overseas bank branches and subsidiaries. Besides, customer's financial information shall not be gained only from that customer's operations in Vietnam. In fact, it must be continuously consolidated and updated from the parent bank as well as other overseas branches, specifically, from the internal credit rating. Overseas bank branches and subsidiaries always keep close contact with their head office to update customer's parent situation, which will directly influence on the subsidiary and therefore on the in Vietnam. This indicates that we are very conservative and comprehensive in consideration of credit rating. Based on the customer's credit rating, we will make provision accordingly. Therefore, if the branch in Vietnam applies a different internal credit rating system separately from the parent bank's system, it will cause obstacles, or even inconsistency, in assessment, credit rating and credit granting to customers operating in Vietnam. This will create disadvantages to customers operating in Vietnam, especially in the context where Vietnam is sharply enhancing its integration into the international economy.

- The standardized internal credit rating also allows us to map the credit rating result of a customer in Vietnam with the credit rating of international rating agencies such as Standard & Poor's or Moody's. From such, foreign investors may understand the rating of Vietnam's enterprises in the international system, which facilitates foreign investors in searching information and making decisions on investment to Vietnam.

- The provision ratio of the parent bank is normally higher than that promulgated in Decision 457; for example, a 100% provision may be made for a customer classified under Group 3 if business sector or economy forecast does not show positive signs in the coming time.

For the above reasons, we would like to seek the SBV's consideration to approve oversea banks' branches and local subsidiaries established and operating in Vietnam to apply their internal credit rating policies and system as well as debts classification and making provisions in accordance with the parent banks.

Notwithstanding of our aforementioned opinions, we hereby would like to present our comments on some specific Articles of the Draft in the following Part II. We hope that with our practical experience in debts classification, provisioning and internal credit rating, we can contribute to the building and development of legal regulations on the mentioned issues, which will help to improve and develop the banking environment in specific and Vietnam's economy in general.

II – COMMENTS ON SPECIFIC ARTICLES

The BWG's comments on each specific Articles of the Draft is specified in the table as below:

No.	Articles	Draft	Comments
1.	**Article 1**	*2.1. Debts include:* *a) Loans, advances, overdrafts;* *b) financial leases;* *c) Discounts, rediscounts of commercial papers and other valuable papers;* *d) Factoring amounts;* *dd) Debt securities investment held to maturity, indeterminable the market prices;* *e) Deposits to other domestic credit institutions, except for deposits for transaction payments.*	1. The definition of "debt" in this Article is inconsistent with para 1, Article 8 of the draft Circular replacing Decision 457. Thus, does "Debts" under the Draft 493 include: (i) Loans including both lending to customers and to credit institutions; (ii) Balance of payable raised from guarantee responsibilities on behalf of customers; (iii) Balance of bond investment issued by customers due to issuance guarantee responsibilities? 2. We would like to seek the SBV's clarification on criteria for determination of and the difference between deposits for transaction payments and call deposits; otherwise, it is necessary to unify these two terms. 3. Deposits at credit institutions (except for deposits for payment) are considered as a kind of lending, while para 3.2 of Article 18 in the draft Circular replacing Decision 457 does not count deposits of other credit institutions as mobilizing capital of receiving credit institutions. Therefore, we would like to seek from the SBV a more consistent view on this issue. From the prudential management point of view, SBV's action of not allowing credit institutions to use deposits of other banks for lending to customers may void the role of interbank market. In such case, each credit institution only operates by itself without the coordination between each other; this may lead to the decrease in the liquidity of capital flow in the economy. 4. We consider that the regulation under para 2.1.e is not necessary for the following reasons: - The nature of credit institutions differs from other borrowers. When a credit institution is downgraded or classified, other relevant credit institution will immediately impose necessary measures to cut limit and exposures; thus, the provisioning for deposits in other credit institutions may be wasteful; - The provisioning for other credit institution will make the provisioning cost increase significantly. Therefore, we would like to suggest the SBV to provide guidance on measures imposed when credit institutions are downgraded or classified instead of requiring credit institution to make provisions for deposits of credit institutions.
		2.2. off-balance sheet commitments include: *(…);* *b) Lending commitments which are irrevocable, unconditional,*	Please give more detailed guidance or examples for this Article. Is lending commitments in a certain period of time without the determination of disbursement date subject to this Article?

		and detailing with validity of the time performing loan.	
		Subjects and scope of application	We would like to seek the SBV's approval for foreign banks to use the internal credit ranking system developed by their head office or regional office. They should follow global/regional policies and procedures of credit assessment, approvals, monitoring, classification, remedial management, reporting and write-offs/provisioning of credit facilities subject to meeting the minimum SBV regulatory standards. Therefore, we would seek the SBV's consideration to supplement para 3 to Article 1 as below: "Foreign bank branches and 100% foreign owned capital banks established and operating in Vietnam shall apply debts classification, provisioning and use of provisions to manage risks and internal credit rating system in accordance with the parent bank."
2.	**Article 3, para 2**	*Each quarter at least, within the first 15 working days of the following month of the quarter, credit institutions shall be obliged to check, reassess:* *a) Credit ranking of customer, measures and controls of credit quality management in order to have suitable credit quality management measures;* *b) Re-classification of debts which has been classified, making risk provisions as at end of last working day of the quarter, and using provisions to write-off losses, making report of debts classification, provisioning, and use of provisions against credit risks to authorized competent*	We would like you to consider the feasibility of the requirements under this Article. The requirement under this Article cannot be met as we would have even received new financials yet, let alone have time to review every borrower that we deal with, especially in the case where companies operate on a fiscal year that is different and we may not have any new financials. Therefore, we would think the review should be conducted annually, as we already impose *ad hoc* measures to handle any issues arising during the lending period in accordance with the group's policies.

		State Agencies and making accounting records in accordance with applicable provisions.	
3.	**Article 4**	*2. Credit Institutions shall have internal credit ranking system which is stipulated in attached Annex 1 to access capability loan payment of customers, supporting to debt classifications and setting up internal regulations on credit quality management to ensure a safe of banking activities of credit institutions.*	The system seems extremely complicated to apply (37 pages of different criteria). We would recommend that foreign banks be allowed to use their own group internal rating system, with agreement from SBV on a conversion criteria between SBV's rating and the bank's internal criteria or standard (this has for instance been established with HKMA in Hong Kong).
		Para 4.1. Policies of credit customer must, at the minimum, consist of: *(...)* *c) Checking and supervision before, during and after credit facilities granting;* *(…)*	Please re-consider if it is necessary and feasible for the lending or depositing to other credit institutions. Our comment on the deposits at other credit institutions under this Article is similar to point 4 of our comment on Article 1, para 2.1.
		Para 6.4. Credit institution shall, base on updated customer information, data, at least once a year, before the first day of every October, conduct checking, adjustment,amendment procedures of customer classification process, system of financial and non-	We would request exemption of this requirement for subsidiaries and branches in Vietnam of foreign banks which are using their Group systems that meet other International standards or are approved in other suitable jurisdictions.

		financial indicators and the weight of each indicator for customer grading, and ranking. The results of checking, adjustment, amendment of internal credit ranking system must be reported to State Bank (State agency of inspection and supervision) by post or by hand for the purpose of management, supervision, inspection and examination.	
		Para 7. Credit Institutions must sent State Bank (State agency of inspection and supervision) by post or by hand document of internal credit ranking system which are approved by Board of Director, including: *a) proposal of Chairperson of Board Directors or person who is authorized for setting up, promulgation, and execution internal credit ranking system, internal regulations on credit quality management, customers credit policies, policies of provisions which are constructed on basis of internal credit ranking system;* *b) Resolutions, or Resolutions of Board of Directors approving on*	We would request exemption of this requirement for subsidiaries and branches in Vietnam of foreign banks which are using their Group systems that meet other International standards or are approved in other suitable jurisdictions.

		promulgation, and execution internal credit ranking system, internal regulations on credit quality management, credit customers policies, policies of provisions which are constructed on basis of internal credit ranking system; *c) Document of description of internal credit ranking system including entire document of procedure customers classification, financial and non-financial indicators for customer grading;* *d) Manual of use of internal credit ranking system* *dd) Internal regulations on credit quality management, credit customer policies, and policies of risk provisions*	
4.	**Article 5**	*Para 3. In case of loans of different customers but for the same project, debt classification shall be carried out as stipulated in item 1, item 2 this Article. If outstanding loan of any one of the customers is graded to more risk grading in comparison with the others, entire outstanding loan of*	It is not appropriate to request that in case of loans of different customers but for the same project, debt classification shall be carried out as stipulated in item 1, item 2 this Article. If outstanding loan of any one of the customers is graded to more risk grading in comparison with the others, entire outstanding loan of the other customers shall be graded to higher risk grading than that of the previous ones. The above requirement will limit the participation of corporate clients in syndicate loans given a fact that credit risk status of a defaulting counterparty will definitely affect to other non-defaulting counterparties.

		the other customers shall be graded to higher risk grading than that of the previous ones.	
		Para 4. In case of syndicated loans, credit institutions who participate a syndicated loan, including the underwriters, shall independently carry out classification of debts as stipulated in this Circular and inform to each other the results of the debts classifications no later than 5 (five) next working days. Entire outstanding loans of such customer at these credit institutions shall be graded to highest risk grading which is graded by one credit institutions among participants of such syndicated loan.	1. From our viewpoint, our risk assessment should not be driven by one of other banks in the syndicate in Vietnam. We recommend that each credit institution be permitted to classify exposures independently. Please note that, given that Article 2 requires that "if a part of loan of customer is graded to higher risk grading in comparison with the remaining of outstanding loan, entire outstanding loan and off-balance-sheet commitments of such customer shall be graded to more risk grading than that of the previous ones" and that credit institutions may have other facilities extended to customers or related customers, this may trigger a long series of risk downgrades between banks in Vietnam. Moreover, according to customer classification as in Annex 1, the same customer with the same information may be differently classified at different credit institutions because customer structures of these credit institutions are different from each other. Therefore, when participating in a syndicated loan, not only the classification of that customer's syndicated loan is revised, but other loans of that customer are also modified in classification and corresponding provisions, and this is not appropriate. 2. This Article should be clarified that the 5 business day period is counted after the final approval of the transaction.
5.	**Article 6**	*Credit Institutions shall carry out debts classification as following groups:* *1. Group 1 (prime debts) includes: debts that are assessed by credit institutions as fully and*	Groups of debt have been classified in the ranges from Group 1 to Group 5. This Circular should clarify that Group 1 has all credits in AAA to A range, Group 2 BBB and BB range, Group 3 B, CCC and CC range, Group 4 C range and Group 5 D range credits. Without Probabilities of Default (PD) it is not possible to have a set classification for each Group. The ranges should be bound by PD.

		timely recoverable both principal and interest, lending customers do not have any signals of deterioration of capacities of loan payments, business performance or financial status. *2. Group 2 (watched debts) includes: debts that have signals that possibly impact capabilities of loan payments timely and fully, if no repairment is made in time, including customers whose business performance and financial status tend to deterioration notwithstanding that there is not any negative impacts of loan payment capabilities.* *3. Group 3 (sub-prime debts) includes: debts that credit institution assesses business performance and financial status of customer having clear signals of deterioration that impacts capabilities of full loan payments.* *4. Group 4 (doubtful debts) includes: debts to which business performance and financial status have signals of serious deterioration leading to high potential loses, non-fully recoverable debts.* *5. Group 5 (potentially*	

		irrecoverable debts) includes: debts that have sufficient grounds to determine impossibilities of debt recovery or inconsiderable recovery.	
6.	**Article 7**	*Para 1. This Article provides the debts classification matrix, for which we would like put it into words as follow:* *a. The repayment term is restructured for the first time → classified into Group 3 to Group 5;* *b. The repayment term is restructured for the first time and overdue under 90 days or being restructured for the second time → classified into Group 4 to Group 5* *c. The repayment time is restructured for the first time and overdue from 90 days and above or overdue after being restructured for the second time or restructured for the third time and above → classified into Group 5.*	- This Article as a matrix driven grouping which is not very practical to follow and has the same Group numbers as those in Article 6. Besides, in fact, we see that the debts classification for provisioning based on the overdue date of the loans seems to be inappropriate in certain cases; for example, the debt becomes overdue not because of the customer's repayment inability but resulted from the insufficiency of foreign currency in the market, which restrains banks from selling foreign currency to the customer to repay the debt. Moreover, loan restructuring is an agreement between customer and bank. In some cases, customers have repayment capacity, but loan is still restructured as it will otherwise be a waste of time if the customer repays and takes a new loan. In case customer is unable to repay the loan, the credit rating has been reviewed before loan is restructured, therefore loan classification based on loan restructuring is not necessary. - According to this Article, overdue debts under 10 days is classified as one debt category, so how is it imposed in case of grace period (if any)? - We also have some detailed comments as follows: ○ This Article requires downgrading of debt for AAA, AA, and A customers from "Group 1" to "Group 2" after debt is overdue from 10 to 90 days. From our experience, and given FX liquidity issues in the market place, we believe that 30-90 days is a more appropriate trigger, given this can be due to late-receipt of funds from a trade-related drawdown, USD liquidity issues, etc. ○ "Debt of which repayment term is first time restructured" should be changed from "Group 3" to "Group 2". ○ Addition to classification for loan secured by cash at the bank or standby L/C: If loan or any credit facility is fully secured by cash collateral in the bank or guaranteed by Stand-By L/C without significant weakness, the Bank may assign a risk rating "1". Loan is repaid by cash or standby L/C. ○ Addition to export document discount: For bill discount account, the Bank uses a different risk rating criteria. If a L/C issued by bank, risk rating is decided by the bank's credit rating. Credit risk depends on credit rating on issuing bank.

<table>
<tr><td></td><td></td><td></td><td>- Other opinions are as in the following table:
<table>
<tr><td>Customer credit rating
Repayment capacity on classification time</td><td>AAA, AA, A</td><td>BBB, BB,B</td><td>CCC</td><td>CC</td><td>C</td><td>D</td></tr>
<tr><td>- Being not due or become overdue under 10 days</td><td>Group 1</td><td>Group 1</td><td>Group 2</td><td>Group 3</td><td>Group 4</td><td>Group 5</td></tr>
<tr><td>- Being overdue from 10 days to 90 days</td><td>Group 2</td><td>Group 2</td><td>Group 2</td><td>Group 3</td><td>Group 4</td><td>Group 5</td></tr>
<tr><td>- Being overdue from 91 days to 180 days; or
- Being interest deduction or reception because customer is unable to repay interest fully on time.</td><td>Group 3</td><td>Group 3</td><td>Group 3</td><td>Group 3</td><td>Group 4</td><td>Group 5</td></tr>
<tr><td>- Being overdue from 181 days to 360 days;</td><td>Group 4</td><td>Group 4</td><td>Group 4</td><td>Group 4</td><td>Group 4</td><td>Group 5</td></tr>
<tr><td>- Being overdue over 360 days; or
- In process of workout; or
- Bankruptcy, liquidation, dead, missing</td><td>Group 5</td><td>Group 5</td><td>Group 5</td><td>Group 5</td><td>Group 5</td><td>Group 5</td></tr>
</table></td></tr>
<tr><td>7.</td><td>Article 7</td><td>Para 2. Regarding debt securities investments, commercial papers and other valuable papers held to maturity, indeterminable the market prices, credit institutions shall be obliged to carry out assessments, grading of issuers or payment acceptors for classification of debts in the similar process dealing with customers.</td><td>From our understanding, the process of credit review needs to be done quarterly for securities that are held (in addition to our comments on Article 3 para 2 above, do banks really need to do that for securities if they are supranational/sovereign and do not issue quarterly financials? Can banks rely on outside rating agencies, or other branches’ ratings?</td></tr>
<tr><td>8.</td><td>Article 10</td><td>Ratio for specific provisioning of</td><td>If I understand directly "Debt Category" refers to "Debt Classification" under Article 6. If so, this would require</td></tr>
</table>

		each debt category is as follows: *a) Category 1: 0%;* *b) Category 2: 5%;* *c) Category 3: 20%;* *d) Category 4: 50%;* *dd) Category 5: 100%.*	provision for any AAA/AA/A customer which is more than 10 days past due or any customers rated lower than AAA/AA/A from 1 day past due, which does not seem appropriate. On the contrary, customers which are 91-180 and 181-360 days past due would require provisioning of only 20% and 50% respectively, which seems very low as compared to international standards. We would at least recommend full provision from 181 days past due. Specific reserve ratios for each loan group **at least** as follows: a. Group 1: 0%. b. Group 2: 5% c. Group 3: 20%. d. Group 4: 50%. e. Group 5: 100%. A minimum reserve ratio is flexible to the bank for application of higher ratios against high risk.
		4.1.b Government bond, Treasury bill and valuable notes (except for corporate bond and credit institutional bond): Face value; *4.1.c Securities issued by corporations and other credit institutions which are listed on Securities Exchange and Securities Trading Centre: Market price at the end of the working day prior to the date on which specific provision is made;*	Why would we use face value for a Government bond, but market value for a corporate bond while corporate bond can also trade above par?
		4.1.e. Collaterals funded by the loans: Value at the time that specific provision is made, agreed by both the credit institution and its customers.	The price provided by a competent and independent appraisal company is also good to be used. Sometimes, customer is not willing to agree with us on the collateral value, if SBV does not allow us to consult the price with an appraisal company, we cannot move ahead with the provision.

		4.2. Discounting rate	Please consider to add the ratio for Stand by LC of the bank which has credit rating from BBB being 100% as stand by L/C from bank has credit rating from BBB is equivalent to cash.
		Treasury bills, gold, demand deposits and savings deposits denominated in foreign currencies: 95%;	Is this Article also applied for US T-bills?
9.	**Article 11**	*General provision* *The minimum general provision is calculated at 0.75% of the total facilities and off balance sheet commitments classified from category 1 to category 4.*	- In reference to our general comment on approving branches and local subsidiaries to apply provisioning policies in accordance with the parent bank, we would seek the SBVs' approval for us to comply with the parent bank's requirements on both general and specific provisions in order to avoid the inconsistency occurred when the specific provision follows the parent bank while general provision follows the SBV's regulation. - Besides, we also have other comments as follow: ○ We believe that the requirement on a minimum general provision of 0.75% of the total facilities will be significantly higher than our current levels. ○ Please clarify whether the general provision includes commitments for non-secured loans? ○ The bank is allowed to use lower reserve ratios for off balance sheet, but not lower than 75% reserve ratios of balance sheet assets. Risk for off balance sheet assets is lower than balance sheet assets. ○ It would be better if General provision is replaced by Portfolio provision which would be in line with International accounting standard. Moreover, General provision is made for loan groups which already calculated for specific provision (group 2 - 4). ○ General reserve is determined **<u>at least</u>** equal to 0.75% of total loan outstanding and off balance sheet assets of group 1 for the following reasons: (i) General provision is applied for group1 because other groups have been calculated in the specific reserve; (ii) Apply the ratio **<u>at least</u>** 0.75%, it is flexible to the bank for application higher rate against high risk.
10.	**Article 21**	*This circular shall be enforced from 1 October 2010 and supersedes Decision 493/2005/QD-NHNN dated 22*	We see that this Circular has set forth a very tight timeline (*i.e.* 01 October 2010) for the implementations. As there are many criteria and scoring levels in the internal credit classification system under Annex 1, credit institutions need a lot of time for researching, establishing, and issuing the internal credit classification system as well as preparing informatics infrastructure to apply the internal credit classification system to activities of

		April 2005 of the State Bank Governor on the issuance of the Regulations on debt classification, provisioning and utilization of provision to compensate credit losses in banking operations of credit institutions and Decision 18/2007/QD-NHNN dated 25 April 2007 amending and supplementing the regulations on debt classification, provisioning and utilization of provision to compensate credit losses in banking operations of credit institutions, issued with Decision 493/2005/QD-NHNN date 22 April 2005 of the State Bank Governor.	analyzing, assessing customers and credits. Thus, SBV should provide credit institutions with more time to obtain a complete system. In the case of foreign bank branches and subsidiaries, it is impossible in term of technicality to build up a new and separate internal credit rating system and test its interface with our core-banking in the parent bank within only 1 year. Therefore, we would like to suggest the preparation time for banks is at least 03 years from the issuance of this Circular.
11.	**Appendix 1**		As commented on Article 4, para 2, we see that the system seems extremely complicated to apply (37 pages of different criteria). Besides, regarding quantitative indicators, will the SBV provide guidance on scoring method on each one for banks to assess the customers based on the general scoring?
		Section II, Article 5 para b. Operation Indicator *(…) Return on fixed assets =* *Net sale/Net book value of average average assets*	We would like to change the indicator's name into "Net book value of average fixed assets"

		Section II, Article 5 para d. Profit earning indicator *(…) Profit from business activities/Net sale = [net profit from business – net income from financial activities + expense for financial activities]/Net sale*	- The total weight is 107%, not 100%. - The indicator name is not matched with the formula (the name is "Profit from business activities" while the numerator of the formula is "profit from business activities minus net profit from financial activities".
		Section II, para 6c. Relations with credit institutions *Indicator number 9. The usage of services (deposits and other services) of the credit institution in comparison with other credit institutions (excluding lending)*	- In the case of syndicated loans, customers will not have accounts at participating banks, but only at the lead banks. In such case, how will we assess this factor? - Moreover, information on using banking services is normally customer's privacy, so they cannot provide full information for banks to assess. - Please consider to remove this indicator for the insufficiency of information to be used for assessment.
		Section II, Article 6.e. Indicator on business features of enterprises	The indicators are too specific and comprise of many sensitive information of customers, such as customers' assets insurance, the dependence on suppliers, customers. Thus, it is very hard for banks to obtain full information to assess the above matters.
		Section III, Article 2.1. c. Liquidity indicator	- The total weight is 90%, not 100%. - Besides, there are two different terms used for the same one indicator, *i.e.* "inter-bank deposits and lending" and "inter-bank debts"; therefore, it should be simplified into one consistent term as "inter-bank debt".
		Section III, Article 2.1.c. *(…) The total capital mobilized from the inter-bank market* *= Deposits from customers and*	Sponsored capital, investment entrustment and loans for which the credit institution takes responsibility are not separately shown on the financial report of credit institutions so it is impossible to calculate this indicator.

		other payable amounts by customers + Sponsored capital, investment entrustment, loans for which the credit institution takes responsibility to handle risks.	
		Section III, Article 2.1.c *The ratio between the total net outstanding loan and the total amounts mobilized from inter-bank market* *= Total net outstanding debts/total capital mobilized from the interbank market* *In which, Total net outstanding debts = Total credit outstanding – specific provision*	The numerator includes inter-bank lending while the denumerator excludes capital mobilization from the inter-bank market. Therefore, the scopes of the numerator and denumerator are inconsistent, which makes it unable to provide accurate assessment from the result of this ratio.
		Section III, Article 2.2. Non-financial indicators	It is too hard to evaluate the secondary indicators of Management ability indicator, internal environment and competition ability of credit institution. There are many information considered as trade secrets which shall not be disclosed, especially to competitors. It is similar to the case of secondary indicators of the business development sustainability indicator.
		Section IV, Article 1. Scoring indicators for individual customers	From our point of view, the scoring method for individuals under the Appendix is too detailed and in appropriate for small loans or cash-backed loans. The scoring methodology applied for individual is too detailed. It does not fit for small size loan or cash-back loan. SBV should set a minimum loan size to apply this scoring and the default score for cash-back loan. Number of individual loan is huge, it is increasing day by day, scoring for all of those seems not a good solution.