Press release

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Pages	2

PwC's Global Basel Leader shared international experience with Vietnamese banks

Implementing the next generation of risk-weighted assets with Circular 41

Hanoi, 20 October 2017 – On October 19th and 20th, PwC Vietnam held a workshop for banks' leaders on "The Next Generation of Risk Weighted Assets – an International Perspective and the Readiness of Vietnam's Banking Sector".

The workshop saw the attendance of PwC's Global Basel IV Leader Martin Neisen, top experts from PwC's offices in Vietnam, Malaysia, Pakistan, the State Bank of Vietnam (SBV), together with over 70 participants who are members of the Board of Management, senior management and representatives of the Risk Management, Finance & Accounting functions of Vietnamese commercial banks.

Experts at the workshop shared their knowledge and experience of implementing the new Standardised Approach for calculating risk-weighted assets (RWA) following the SBV's Circular 41/2016/TT-NHNN.

Circular 41 is widely known as the first to adopt Basel II standards in Vietnam. However, the reform of the Circular comes from the adoption of the revised Standardised Approach for credit risks, drawn from the latest revisions to the Basel Framework (often referred to as "Basel IV").

"The leading international practices on RWA can bring many benefits to Vietnamese banks, such as enhanced policies and procedures, improved risk sensitivity of capital requirement, and a greater opportunity for the banking supervisor to compare capital adequacy among banks", PwC's Global Basel IV Leader Martin Neisen said.

"However, the unprecedentedly comprehensive changes in RWA have also brought new challenges to many international banks in the world. PwC's experience with RWA implementation shows that banks will need to adjust their capital management strategies, and restructure their asset portfolios, products and operational model," Neisen said.

PwC's experts at the workshop further pointed out that RWA implementation is a long journey. To apply Circular 41's RWA calculations, Vietnamese banks need to get ready with its RWA methodology, data, system, and human resources. This process could take 9-18 months depending on the size of the bank and the status of the data and system.

The next step is to consider what to do with the business strategy to achieve the required capital ratio. Typically, it could take one or two years after banks have changed their business strategy or restructured their asset portfolios until any capital optimisation impact shows.

"It could be a two- to three-year journey in total for banks to comply with Circular 41, while the effective date of Circular 41 is in just over two years. If banks have not yet started RWA implementation as per Circular 41, they should rethink their priorities and devote the maximum time and resources they can to this important transformation," Dinh Hong Hanh, Financial Services Consulting Director at PwC Vietnam said.

Notes to editors:

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