

Report of Interview With
Mr. Alexander Young
Manager, Charter Bank

Present at Interview: Messrs. Rosenfeld and Sanderson

Date of Interview: October 5, 1957

Mr. Young was interviewed in connection with our study of the National Treasury operation, with specific references to banking operations in Viet-Nam. Mr. Young is peculiarly qualified in that he has been in the banking business in Vietnam for many, many years.

The following information was obtained:

1. Saigon Clearing House. The Saigon Clearing House is composed of all of the banks in Saigon and is operated by the National Bank. Membership in this Clearing House is optional but, as pointed out, all banks do belong. The Clearing House meets twice a day, at which time representatives from all banks come and bring their checks to exchange for their own checks. Accounts are maintained at the National Bank. In the event that a bank would fail to redeem any of its checks, it would be dropped from membership after 24 hours and be denied the privileges of the Clearing House.
2. Checks. Mr. Young said that his Bank will accept checks from other banks or the Treasury only if offered for deposit by an account holder. They will not cash checks ~~or~~ money orders for persons who do not have accounts in the Bank. Upon being asked if he thought that the use of checks by the Government to pay its employees and vendors would be practical, he said that it would be practical if confined to Saigon and its immediate environs but it would not be practical in the provinces because there would be no banking facilities.
3. Professional Banks. Mr. Young stated that in his opinion the establishment of branch banks in the provinces would be a losing proposition from the viewpoint of a private banker since the rural Vietnamese is reluctant to trust his money to a bank and is reluctant to disclose to any outsider the exact amount of his cash reserves. He stated that he personally would never authorize the opening of any branches of the Charter Bank outside of Saigon.

During the course of the conversation Mr. Young commented that money was in very short supply in Saigon at the moment. This he attributes to a number of factors: First, the National Bank requires all banks to have on deposit 15% of assets in the National Bank; second, Treasury receipts exceed disbursements; and third, there are not sufficient public works projects in existence which would create an out-go of money from the Treasury. Mr. Young expressed himself as being very happy to be of service to MSU at any time.

M. A. Sanderson, Jr.

MAS:mrw

Interview with Mr. Y. F. Li
Assistant Director
Bank of China, Vietnam Branch

Present at Interview: Sanderson and Rosenfeld

Date of Interview: October 14, 1957

Mr. Li discussed the following points with the MSU interviewers:

In reference to the government paying by checks, he said that system would be very good from his viewpoint as a banker because the more checks are used, the more people would use banks and the more people use banks, the more business the banks will have with the accompanying profits. However, he said that it has been his experience in Saigon the average person prefers a cash payment rather than checks, particularly the small businessman. He also said that the clearing house systems were so unsatisfactory and should be revamped before any increase in check usage came about.

On the subject of branches in the provinces he said that he doubts whether any bank would open a branch outside of Saigon unless there was a substantial increase in the demand for banking services in the country. He feels that the National Bank should open branches in the provinces to take over the banking duties now being carried on by the Treasury. Since the matter of profit and loss was not a motivating factor in the bank operations, the National Bank should not hesitate to go out in the provinces.

Mr. Li in closing said that as far as banking in Saigon is concerned his bank preferred to follow a conservative method of banking and when asked for advice on business matters by its Vietnamese clients, counselled conservation in operation. He said that the country was young and that the businessmen were in the main inexperienced in international commerce and felt that more years of experience will be necessary before western-style banking will be appropriate in Vietnam.

Mr. Li offered the services of the Bank of China at any time we needed assistance or advice from them.

M. A. Sanderson

6 Oct. 1957

Interview with Executive Council
of Saigon, Chamber of Commerce

Present at Interview: Tran-Van-Chieu, President
Tran-Ngoc-Trinh, Vice President
Le-Van-Mieu, 2nd Vice President
Vo-Van-Thien, Treasurer

MSU - Messrs. Rosenfeld and Sanderson

The following information was obtained from various members of the Council:

On government payments, the businessmen of the community feel that instead of changing the payment method from cash or warrant to check system, more good would be done by revising the administrative procedures leading up to the payment. The businessmen here have to charge considerably more than necessary due to the fact that payment is so slow.

They cited the example of a contractor who, upon receiving a contract, used the contract as security for a bank loan to cover his operation costs. This bank loan cost a minimum of 15% per annum. Added to this is an administrative charge of approximately 15% to cover the cost of handling the loan, notary fees, etc. Thus, when the contractor bids on a government job, this amount is included in his estimated costs, although not labeled as such in the bid.

They added that some of the Army offices paid in cash on small contracts and were able to get a 20% discount for cash payment. This, however, is only in the case when petty cash funds are used. On the other hand, the business community would welcome payment by check since there would be less cash to handle and they were gradually getting accustomed to doing business by check.

Mr. Rosenfeld asked if the Chamber of Commerce had ever considered offering to advise the government on commercial matters or on management. Mr. Chieu said "Yes" that last month they had submitted a proposal to the government suggesting that the government set up an advisory council and indicating that the members of the Chamber would be very happy to sit on the council. However, they have heard nothing from the government on this offer.

The Treasury versus the private banks -- if one has dealings with the government, it is preferable to maintain an account in the Treasury, since government payments can be deposited directly into an account. However, if one does not have dealings

with the government, it is better to maintain an account in a private bank since private banks will allow overdraft.

The President of the Council said that he was very happy to talk to the MSU representatives and pointed out that this was the first time MSU had asked for help. He said that they were ready and willing to be of assistance again.

M. A. Sanderson, Jr.

Interview With Mr. Le Si Ngac
Director, National Investment Fund
And a Permanent Building Contractor

Date of Interview: October 19, 1957

Present at Interview: M. A. Sanderson, Jr.

The following is a summary of information gleaned from Mr. Ngac:

1. The contractors would favor the use of checks by the government in payment for contracts. Professional contractors would also welcome this if checks could be cashed or deposited within the provinces.
2. Checks should not be drawn for amounts less than 5,000 piastres since the small contractors and businessmen would prefer cash payment inasmuch as their operations are so small.
3. The Treasury should turn commercial banking over to the commercial credit bank. If checks are to be issued, it would be a great saver of time if the departments would have authority to issue checks, thus eliminating the Treasury from any part of disbursing operations.
4. The slow payment policy^{jobs} of the government is making prices for government ~~publications~~ a great deal higher than necessary. Some contractors have been forced to sell their homes because they have over-extended themselves financially in doing a government contract. They have had to borrow money since the government payment had not yet been made and were forced to sell their homes to meet the bank's demands.

M. A. Sanderson, Jr.