

# Special Alert

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## Government Takes Next Step in Developing Fintech Sandbox Decree

On 6 September 2021, the Government issued Resolution No.100/NQ-CP (the “**Resolution 100**”) approving the prior proposal of the State Bank of Vietnam (the “**SBV**”) for developing a decree on a regulatory sandbox for financial technology (“**FinTech**”). Resolution 100 acts to further the previous plans of the SBV to launch a regulatory sandbox for FinTech in Vietnam (“**Fintech Sandbox**”) demonstrated by the draft decree on Fintech Sandbox (the “**Draft Fintech Sandbox Decree**”) released for public comment in early June 2020. Under Resolution 100, the SBV is assigned to consult and work in close collaboration with ministries and other competent state agencies in order to seek opinions from relevant ministers (the “**Ministers’ Opinions**”) on the Draft Fintech Sandbox Decree. The Ministers Opinions must be submitted to the Government in the fourth quarter of 2021.

This Government’s approval is an important milestone for the development of the Fintech Sandbox, since it initiates the consultation procedures with relevant ministries and state agencies whereby the SBV (as the lead agency in charge of developing the Fintech Sandbox) is enabled to obtain the Ministers’ Opinions in accordance with Law No. 80/2015/QH13 dated 22 June 2015 on promulgation of legislative documents. Under that law, unless the Ministers’ Opinions are sought and submitted to the Government by the SBV, no further steps can be taken in respect of the Draft Fintech Sandbox Decree, including the required (i) Ministry of Justice’s appraisal and (ii) the Government’s final clearance and promulgation of the Fintech Sandbox Decree.

Emergent in Vietnam early in 2018, the FinTech industry has taken Vietnam by storm and received considerable attention from both domestic and foreign investors. As the use of FinTech in the country continues to flourish, its market transaction value almost tripled between 2017 and 2020, growing from US\$4.4 billion to US\$11.6 billion<sup>1</sup>. However, the FinTech regulatory framework in Vietnam is still

<sup>1</sup> Statista, “Transaction value of the fintech sector in Vietnam from 2017 to 2025, by segment”, <<https://www.statista.com/forecasts/1228355/fintech-transaction-value-by-segment>>

at an early stage of development, and the lack of sufficient legal guidance has created a variety of concerns over financial exclusion, security and data breaches, money laundering, financing of terrorism, high intermediary fees, and lack of transparency.

With the release of the Draft Fintech Sandbox Decree, the SBV has proposed a pilot mechanism for FinTech services that already operate to now do so under the color of law and the supervision of relevant competent authorities. It details the eligibility criteria and procedural requirements for Fintech Sandbox participation. The Draft Fintech Sandbox Decree allows credit institutions (including banks, non-bank credit institutions, microfinance institutions and people's credit funds), and fintech companies / fintech solutions providers (either independent or partnered with banks), which engage in certain eligible sectors (including: payment, credit, P2P lending, KYC support, Open API, solutions applying innovative technologies, and other services supporting banking activities), to participate in the Fintech Sandbox, subject to the satisfaction of certain requirements indicated therein and with the final approval of the Prime Minister.

In a press interview early this year, the SBV stated that it expected that the Government would adopt the Fintech Sandbox Decree sometime before the end of the year<sup>2</sup>. However, given the provided timeline under Resolution 100, it is likely that adoption of the Fintech Sandbox Decree may not occur in such an optimistic timeframe as there remains other rounds of amendments and readings after the submission of Ministers' Opinions (i.e. the appraisal of the Ministry of Justice and final clearance of the Government) before the Draft Fintech Sandbox Decree can be passed and promulgated.

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<sup>2</sup> [vietnam#:~:text=Transaction%20value%20in%20the%20digital,to%20reach%2026.4%20billion%20dollars.>, last visited on 8 September 2021.](https://baodautu.vn/chinh-phu-thong-qua-de-nghi-xay-dung-nghi-dinh-ve-fintech-d150913.html)  
<https://baodautu.vn/chinh-phu-thong-qua-de-nghi-xay-dung-nghi-dinh-ve-fintech-d150913.html>.

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