DRAFT

DATA COLLECTION SURVEY ON DIGITAL CURRENCY AND PROMOTION OF NON-CASH PAYMENT IN THE SOCIALIST REPUBLIC OF VIETNAM

B&Company

INTERIM REPORT

JICA Vietnam

B&Company Vietnam Co.,Ltd

2022, August

Abbreviation

Vietnam Banks and related units	SBV	State Bank of Vietnam
	Agribank	Vietnam Bank for Agriculture and Rural Development
	BIDV	Joint Stock Commercial Bank for Investment and Development of Vietnam
	Techcombank	Vietnam Technological and Commercial Joint- stock Bank
	Vietcombank - VCB	Commercial Bank for Foreign Trade of Vietnam
	Co-opBank	Co-operative Bank of Vietnam
	VBSP	Vietnam Bank for Social Policies
Telecomunications	MNO	Mobile Network Operator
	VNPT	Vietnam Post and Telecommunication Corporation
Vietnam Government	PM	Prime Minister
	MIC	Ministry of Infomation and Communications
	MPS	Ministry of Public Security
	MOF	Ministry of Finance

System & related components	IBPS	Inter-Bank Electronic Payment System
	- NPSC	National Payment System Centre
	- RPC	Regional Payment Processing Centre
	- SAPS	Settlement Account Processing System
	- HVSS	High Value Settlement Sub-System
	- LVSS	Low Value Settlement Sub-System
	ACH	Automated clearing house
Payment method	ATM	Automated teller machine
	POS	Point of sales
	QR code	Quick response code
Application	Momo	E-wallet developed by M_Service Company
	VN-PAY QR	QR Code payment developed by Vietnam Payment Solution Joint Stock Company
	ZaloPAY	an e-wallet platform and online payment system developed by ZION JSC

Abbreviation (2)

Foreign banks	BOT	Bank of Thailand
	BOJ	Bank of Japan
	FSB	Federal Reserve Board
	ECB	European Central Bank
	NCB	National central banks
	FRB	Federal Reserve Board
	MAS	Monetary Authority of Singapore
	NBC	National bank of Cambodia
	ECCB	Eastern Caribbean Central Bank
	HKMA	Hongkong Monetary Authority
	PBOC	People Bank of China
Foreign currency	RMB	Renminbi - the official currency of the People's Republic of China
	e-CNY	Central bank digital currency issued by China's central bank
	HKD	Hongkong dollar
	SGD	Singapore dollar
	THB	Thai Baht

Other organizations	NAPAS	National Payment Corporation of Vietnam
	VNPAY	Vietnam Payment Solution Joint Stock Company
	PCF	People's Credit Fund
	WB	World Bank
	ADB	The Asian Development Bank
	IMF	International Monetary Fund
	USAID	U.S. Agency for International Development
	FCDO	Foreign and Commonwealth Office
	JICA	The Japan International Cooperation Agency
	ASEAN	Association of Southeast Asian Nations
	BIS	Bank of International Settlements
	FSB	The Financial Stability Board
	IMF	International Monetary Fund

Abbreviation (3)

Technology term	API	Application Programming Interface
	DLT	Distributed ledger technology
	ICT	Information Communication Technology
	DX	Digital transformation
	IT	Information technology
	Fintech	Financial Technology
	E-payment	Electronic payment
	E-government	Electronic government
	E-KYC	Electronic Know Your Customer
	KYC	Know Your Customer
Others	SIM	Subscriber Identity Module
	mCBDC	Multiple CBDC
	FMI	Financial market infrastructure
	AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism

Reference: Definition

Payment service related

Type of payment channel	Definition
ATM	A banking device for automatic transactions with customers, performing customer identification through ATM cards, helping customers check accounts, withdraw cash, transfer money and pay for goods and services.
Bank Card	A means of payment issued by the card issuer to perform card transactions according to terms and conditions agreed upon by the parties (user, merchant, bank etc.)
POS	A system to support sales at retail points in the matter of payment via card. Each POS always has a system or tool to record transactions to reflect the amount of cash and goods coming in and out in a certain period of time.
Internet banking	Banking services and intermediary payment services provided by units through the Internet
Mobile banking	A payment solution that allows customers to conduct financial transactions through mobile devices
QR code payment	QR code payment is a contactless payment method where payment is performed by scanning a QR code from a mobile app
E-wallet	A means of payment used in electronic transactions provided by banks, foreign banks' branches, and e-wallets providers. E-wallets are created through electronic means, on information carriers (such as electronic chips, mobile phone sims, computers...), or cash to the payment guarantee account for the provision of e-wallets of the e-wallet supplier in the ratio 1:1. allowing to store a monetary value guaranteed by the deposit value is equivalent to the amount transferred from the payment account
Mobile Money	Mobile Money is a seperate e-wallet, using on mobile phone or the similar devices. Its essence is the conversion of cash into electronic money in a 1:1 ratio. In constrast to traditional e-wallet which links with bank account, Mobile Money accounts are identified through the customer's own phone number

Source: SBV, DNSE

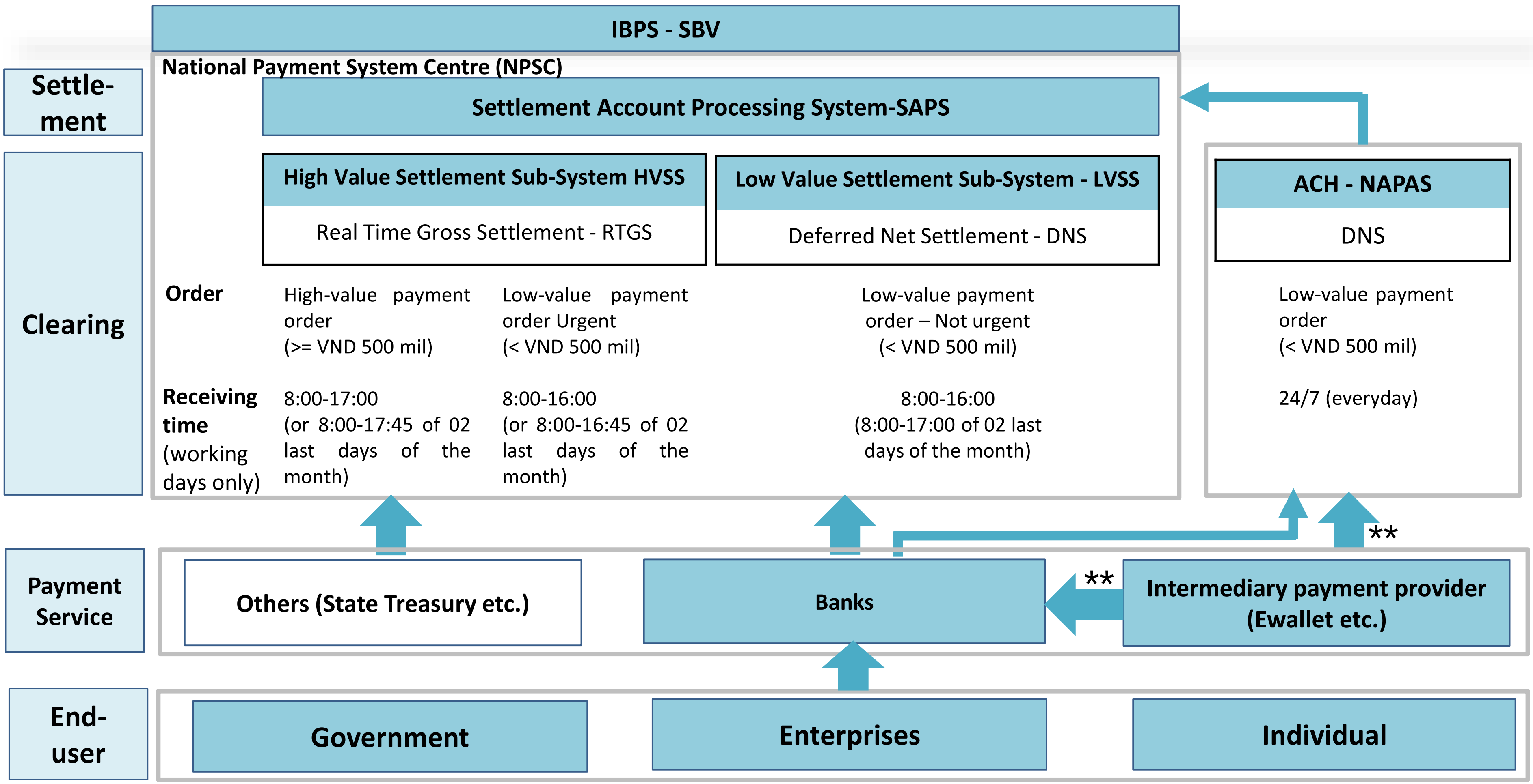
Contents

Chapter 1: Vietnam situation about digital currency and related socio-economic issues

- **Vietnam payment ecosystem**
- Vietnam National Strategy and Legal framework
- Cooperation status of donors

Current Payment System*

Vietnam is building a dual centralized model with processing role of SBV and NAPAS



*: Focus on main national payment systems including IBPS and ACH. To exclude payments systems/parts handling Securities, Foreign currency, Card payment and bilateral payment systems between banks ; **: Before the launch of ACH, a intermediary payment provider has to link with each bank separately. Now, ACH is providing function which allow intermediary payment providers access to bank network of ACH

Source: B&Company synthesis

Development History of Current Payment System

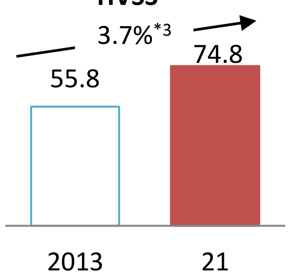
In 2013-2021 period, high value transactions had nearly tripled, while low value transactions have been processed much more in NAPAS than in IBPS's LVSS. The evolution of current systems is thoughtfully planned, introducing global standard features

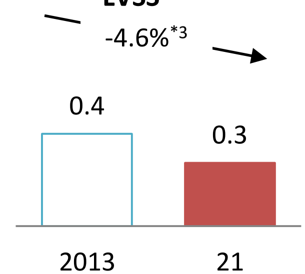
		IBPS-SBV		ACH-NAPAS
History	1995 - 2003	• Built a pilot IBPS system: with new benefits such as reducing float, accelerating circulation of funds; increasing efficiency of funds transmission • 2002: Officially launched IBPS system	2011-2014	• Merged card alliances, remain as NAPAS*2
	2005 – 2011	• Expanded the IBPS system to enhance the system's capacity for better performance and broader connectivity • Added RTGS settlement	2014	• Introduced 24/7 Quick Interbank Funds Transfer Service, which was temporarily developed before ACH
	2016 - 2023	• Make the National Payment System Centre (NPSC) the only processing centre of IBPS*1 • Add batch net settlement service for other payment systems (e.g. ACH) • Apply ISO 20022 message standard	2020	• Launch of ACH system with ISO 20022 message standard

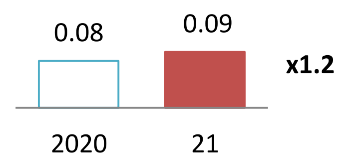
Data

HVSS | LVSS | NAPAS (incl. ACH and related systems)

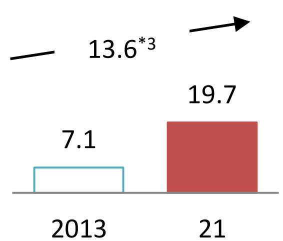
Avg. value per transaction (hundred million VND)

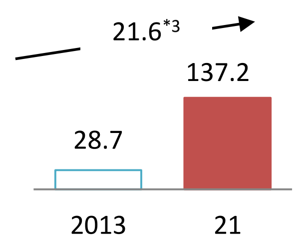


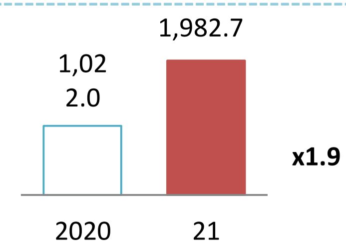




Number of transactions (million)







*1: Originally, the IBPS system was built as a distributed model with 1 NPSC and 6 Regional Payment Centre (RPC);*2:Previously, in Vietnam, there are 03 organizations performing switching and clearing for card transactions which are Banknetvn, Smartlink and VNBC; *3: CAGR in 2013-2021 period

Source: B&Company synthesis

Payment Service Providers Landscape

Bank

The accessibility of financial services has been promoted, especially in the rural areas, illustrated by the development of not only traditional one, but also bank agents. Yet, the modern products of Policy bank hasn't been launched till 2022

x Not providing O Providing ▢ Estimated in 2020

Type	Features	Quantity (2022)	Key player	Payment channel (2022)								
				Conventional			Modern					
				Branch*1	Office*2	Bank Agents*3	ATM	Card/ POS	Mobile/ Internet Banking	QR Code	E-wallet	Mobile Money
Commerical banks	• State-owned: 4 • Joint-stock: 31 • Wholly Foreign Owned: 9 • Joint-Venture: 2	46	Vietcom-bank, BIDV, Argibank	2,989	8,162	52,444	o	o	o	o	o	x
Policy banks*4	Mainly provide microfinance; the digital products is expected to launch soon: VBSP has just cooperated with Mastercards to developed VBSP's digital services and products since 07/2022.	1	Vietnam Bank for Social Policies	63	625	x	x	x	x	x	x	x
Cooperative banks	People's Credit Funds (PCF) are members of Co-opBank • 581 PCFs out of 1,180: members of CF-eBanks*4 which belong to the payment network • The other PCFs provide financial services (some of banking activities), but not payment services	1*5	Co-operative Bank of Vietnam (Co-opBank)	32	67	x	o	o	o	o	x	x

*1 Bank branches are decentralized under the bank's headquarters and able to perform most banking operations; *2 Its authority is smaller than branches and it only has basic banking operations and do not conduct international payments; *3 There are 3 running models now (i) Payment service of MB Bank and Viettel; (ii) Fast money transferring service of Petrolimex Group Bank and Petrolimex Group; (iii) Small-value transferring services of Vietcombank and M_Service company; *4 The project of Co-opBank providing electronic banking products and services to PCFs' members and customers in rural and remoted areas; *5 Excluding Vietnam Development Bank as its roles are not to provide services for individuals. E.g. One of its role is management of ODA loans lent by the Government

Source: B&Company synthesis

Payment Service Providers Landscape (2)

Intermediary Payment Provider

Non-bank intermediaries focus on developing digital payment channels, especially in the forms of E-wallets and QR code payment. Additionally, Mobile Money is also promoted by 03 key players of MNO

x Not providing O Providing

Type	Features	Quantity (2022)	Key player	Payment channel (2022)								
				Conventional			Modern					
				Branch	Office	Bank Agents	ATM	Card/ POS	Mobile/ Internet Banking	QR Code	E-wallet	Mobile Money
Internet service	A group of non-bank organizations licensed by SBV to provide intermediary payment services	44[*1]	Momo, ZaloPay, VN-PAY	x	x	x	x	x	x	o	o	x
MNO	MNOs develop different types of payment services: • E-wallet: MobiFone Pay, VNPT Pay • Digital bank[*2] : ViettelPay • Mobile Money: Viettel Money, VNPT Money, MobiFone Money	3	Viettel, MobiFone, VNPT	x	x	x	x	o	x	o	o	o
Retail	Among top 10 biggest retail groups in Vietnam (2022), Vingroup has developed its own payment method - VinID Pay	1	Vingroup	x	x	x	x	x	x	o	o	x

*1 The quantity is based on the list providing by SBV

*2 The same function as tradition banks without office/branches, hence also including card payment

Source: B&Company synthesis

Situation of Payment Channel

Among modern channels, mobile banking has the largest number of transactions and value. In addition, the increasing coverage of payment channels has shown that the accessibility to financial services in Vietnam has improved

Payment channel	Transactions (2020) *Million times*	Value (2020) *Trillion VND*	CAGR (2017-2020) (%)		Avg. value[*3] (2020) *Million VND*	Coverage
			Transactions	Value		
Conventional						
Office/ Branch	N/A	N/A	N/A	N/A	N/A	• 7.1 branches/1,000 km2 (2021) compare to 102.5 branches/1,000 km2 (2021) of Japan. • Ratio of communes/towns with financial service points (excluding the Bank for Social Policies): 31% (2022)
Bank agent	36.3	268	48.9%	49.0	7.4	• The amount of points[*1] increased double in from 2017 to 2020 (32.2 & 52.4 thousand points respectively) • 2017: customer reached > 6 million people, in which 60% of the customers were from the rural and remote areas
Modern						
Mobile banking	1,183.8	12,600.0	108.2%	163.1	10.6	As estimated in 6/2022: • 68% of adults have payment accounts (CAGR 2015-2021: 11.4%)
ATM	1,027.0	2,798.2	73.6%	71.9	2.8	The ATM system increased continuously from 2017 to 2021, with an average growth rate of about 2%/year • 2017: 56.6 ATM/1,000km2 | 2021: 65.8 ATM/1,000km2 compare to 353.6 ATM/1,000km2 in Japan
E-wallet	883.3	328.7	41.7%	35.6	0.3	As estimated in 2020: • Activated e-wallets[*2]: 13 million, with the total wallet balance ~ 1.56 trillion VND

*1 Place for customers to use bank agents services, including payment service; *2: E-wallets having at least one transaction in 2020; *3: per transaction

Source: B&Company synthesis

Situation of Payment Channel (2)

Internet banking is preferred for large value transactions, while QR code and Mobile money are prefered for small transaction value. Most of goods and services, as well as public services, have already promoted digital payment

Payment channel	Transactions (2020) *Million times*	Value (2020) *Trillion VND*	CARG (2017-2020) (%)		Avg. value (2020) *Million VND*	Coverage
			Transactions	Value		
Modern						
Internet banking	475.5	27,700.0	35.6	27.4	58.3	N/A
Cards [*1] /POS	399.4	871.6	27.5	13.5	2.2	As estimated in 2020: • Debit Card/100,000 adults in circulation:121,482 cards • Active debit cards[*3] /100,000 adults: 61,720 cards; • 100% of modern supermarkets, shopping centers, distribution facilities and State Treasuries nationwide have card-accepting devices and allow card payment.
QR Code	16.2	9.6	N/A	N/A	0.6	• >90,000 acceptors in 2022 • All forms of QR code payment (VietQR[*5], VNPay[*6], self-develop of e-wallets[*7]) are available in most of retail brand, restaurants, coffee shops, convenient stores, etc. in metropolises.
Mobile Money [*2]	8.5	0.4	N/A	N/A	0.04	As estimated up to 3/2022: • >12,800 acceptors • Number of users: ~1 million users, including 0.66 million users in rural, mountainous, remote, border and island areas • The ratio[*4] of Mobile Money users to total mobile subscribers is less than 0.9%.

*1 Domestic transactions only; *2 CARG isn't able to count as it has only just implemented since 11/2021; *3 Cards used in 2020; *4 Estimated by comparing the total mobile money users with the total number of active mobile subscribers in Vietnam, which is 124.1 million; *5 brand identity for payment services and transferring developed by NAPAS, *6 QR code developed by VNPAY for payment via mobile banking apps,; *7 QR code developed by e-wallet providers like Momo; Zalopay, etc.
Source: B&Company synthesis

Issues

On the supply side

The payment system still has the number of problems related to the operational process and infrastructure

Type	Issue	Situation
Non-cash payment still has many shortcomings	**Interoperability**[*1]**'s issue**: Limitation of connection as each parties are building their own payment system	Popular **QR codes** in Vietnam include VietQR of NAPAS network, VNPAY QR code of Mobile banking and E-wallets' QR code. The QR codes are not synchronized, thus cannot be paid outside of the provider system E.g. FamilyMart (2019): Customers who had Payoo E-wallet could not use QR payment at FamilyMart system as the system applied QR code payment of VNPay
	Service accessibility is restrained by registration's regulation	**Mobile money**: subscribing Mobile Money has restriction referring to current regulation because of "trash" SIM[*2], pre-activated SIM cards in Vietnam, which may lead to the risk of impersonating customers in registering and using Mobiile money or making fake, illegal transactions • Mobile Money subscriber numbers must have been activated and used continuously for at least 3 consecutive months from the time of opening and using Mobile Money service; • Each customer can register only 01 account of 01 MNO providing Mobile Money
	Limit value per transaction	**Mobile Money:** The limit of VND 10,000,000 per month is low and insufficient
Uneven distribution of the payment system; Difficulties in investment expansion	**Technical infrastructure** serving for some payment channels is unevenly distributed between rural and urban areas	The **ATM** system is unevenly distributed between urban and rural areas. E.g. the number of ATM/1000km2 in Hanoi and Vinh Phuc Province are 939 and 140 respectively, while nationally it is about 56 (2017) **Financial service points** (2020): 90% of people in urban regions across the country require less than 15 minutes to get to the closest financial service location, but this figure is substantially lower (less than 40%) in rural, distant, and isolated places. In Lai Chau, the service network coverage is 10,325 people/transaction point, as compared to 2,289 and 2,673 people/transaction point in HCMC and Hanoi respectively
	System's expansion is restrained by the high cost of investment for merchants/banks/non-bank intermediaries	**ATM's** high fee of investment for banks: E.g. Agribank (total of ATM in 2021: 3,339) ~ 1 billion VND/ATM (building fee) & 9 - 11 million VND/month/ATM (maintenance fee: electricity + security) **Merchants** has to pay high fees when using non-cash payment methods • QR code payment fees: E.g. Momo (2022): 1.1 – 7.7% of transaction value, depending on the type of business • POS's fees: - Fix cost per month: E.g. VN-PAY (2022): 165,000 - 275,000/POS/Month - Cost per transaction: E.g.Techcombank (2022): 1.1% - 3.96% of transaction value; VN-PAY (2022): Domestic Card: 0.88% of transaction value & International card: 2.2% of transaction value

*illustrating by technical compatibility, networking and regulatory compliance;*2 using unofficial information to register subscriber or pre-activate subscriber SIM

Source: B&Company synthesis

Issues (2)

On the demand side

There are still many concerns for customers in making non-cash payments

Type	Issue	Situation
Customers are required to pay many type of fees	Customers are charged a variety of fees when having **debit/credit cards,** even a fee which isn't set for them	**Debit card** user pays issuance fee annual fee and fee per transaction. E.g. Agribank (2022): Issuance fee: 50,000 – 100,000VND/card, Annual fee: 12,000 - 50,500VND/Year/Card, ATM transactions: 1,500 VND/transaction **Credit card** user pay annual fee. E.g. Sacombanks (2022): Mastercard credit card: 299,000 - 1,499,000 VND/year| Visa credit cards: 299,000 - 19,999,000 VND depending on type of cards. **At retail service points**, some merchants may surcharge when customers pay via card by POS to make up for the fee charged by the bank for card payment
	E-wallet also charge many types of fees, including fees for money in and out e-wallet	**E-wallet** still charge fees for goods and service payment, withdrawing fees, transfering fees from E-wallet to another bank account outside the system and deposit fees. • **Fees for Goods and services payment:** - ZaloPay (2022): payment by credit card/international debit card: 2,000 VND + 2,0% of the value transaction (CGV, Tiki, Sendo, etc) - Payoo (2022): payment by domestic bank account/credit cards: 0.3% - 2.8% of the transaction value (Bamboo airline, K+, etc.) • **Withdrawing fee:** - ZaloPay (2022): 0.4% of the transaction value (from the 6th transaction) - Payoo: 5,500 – 27,000 VND (from 5,000 – 5,000,000 VND). - Momo (2022): same as deposit fee • **Transfering fee to bank account outside the system:** - ZaloPay (2022): 3,100 VND + 0.65% of the transaction value (from the 4th transaction) - MoMo (2022): 3,300 VND + 0.65% of the transaction values • **Deposit fee:** - ZaloPay (2022): via international debit card: 2,000 VND + 2.0% of the transaction value - Payoo (2022): 0.3% – 1.1% of the transaction value depending on banks' policy - Momo (2022): 0-0.5%++ of the transaction value, depending on transaction numbers and total deposit amount per month

Source: B&Company synthesis

Issues (3)

On the demand side

Type	Issue	Situation
Users are still afraid/unfamiliar with using some payment services	The **types of services used** for payment purposes through internet/mobile banking are not diversified	Low awareness of people related to the other services apart from money transfer included in mobile/internet banking: E.g. Only 30-60% of people are familiar with typical services such as savings deposit, international money transfer, credit card payment, insurance purchase or ATM card lock/opening (2021)
	Customers are **apprehensive** about digital payment method	**Lack of consumer confidence** in the safety of online transactions as well as the quality of online goods and services, etc. • The concern of the safety of transaction with the requirement of sharing many user's personal information with merchant in E-commerce • 2019-2021: > 200 complaints/year delivered to MOIT in the field of e-commerce, mainly related to the problems: Goods received are different from advertised; impersonation; automatic cancellation of orders; consumers are unable to purchase goods at the advertised price or associated promotional goods; selling counterfeit goods, goods of unknown origin, etc. Many people are a**fraid of bad debt** when using credit card

Source: B&Company synthesis

Chapter 1: Vietnam situation about digital currency and related socio-economic issues

- Vietnam payment ecosystem
- **Vietnam National Strategy and Legal framework**
- Cooperation status of donors

Key strategy and legislation for DX in Financial field

The State has issued specific plans and strategies for the goal of digital transformation strategies, The financial industry is designated to apply modern technology in promotion of financial inclusion. Following, (1) SBV makes general plan for the banking industry, (2) MIC regulates electronic identity verification and services, (3) MPS regulates on user data security

Main focus of this research

DX Related framework	Main objectives	Main Issued documents	Issued by
National DX strategies and goals	Encourage DX (including Digital economy and digital society) with the development foundation of (1) Legal corridors (2) Connection infrastructure, digital platform (3) digital data (4) Information safety and security network (5) Human resources and digital skills (6) Digital businesses (7) Digital payments	• Socio Economic Development Strategy (SEDS) 2021-2030 • Socio Economic Development Plan (SEDP) 2021-2025 • The National Strategy For Development Of Digital Economy And Digital Society toward 2025, Vision 2030 (PM's Decision 411/QD-Ttg) • E-government development strategy towards the digital government 2021-2025, toward 2030 (PM's Decision No.942)	• Communist Party • National Assembly • Prime Minister
Response to **Digital transformation in Finance field Strategy and goals**	Application of modern technology in promotion of financial inclusion especially fintech products related to non-cash payment and e-money	• National Financial Inclusion Strategy in Vietnam toward 2025, Vision 2030 (PM's Decision No.149/ 2020) • Scheme for development of non-cash payment in Vietnam 2021-2025 (PM's Decision No.1813/ 2021) • Approving pilot application of using telecommunications accounts to pay for small-value goods and services mobile money service (PM's Decision No.316/ 2021)	• Prime Minister
Support to **Specific regulation/plans**	• Detailed plan for banking sector • Legal framework for electronic identification, payment intermediary services and protection of personal information.	• Plan on digital transformation of banking sector toward 2025, Vision 2030 (SBV's Decision No.810/ 2021) • Plan for Digital Transformation in the banking sector in 2022 (Decision No. 1097/QD-NHNN dated June 28, 2022) • Approving pilot application of using telecommunications accounts to pay for small-value goods and services mobile money service (SBV's Decision No.1818/2021 & No.1820/2021) • Regulation on requirements for providing payment intermediary services (Decree No.101/ 2012; Circular No.39/ 2014 amended by Circular No.23/2019)	• SBV
		• Draft Decree on electronic identity identification and verification services (MIC in 2021)	• MIC
		• Draft Decree on personal data protection (Ministry of Public Security in 2021)	• MPS

Source: B&Company Synthesis

Publish of government policy

Many documents related to this content have been issued: (1) Cashless payment was mentioned early (since 2006), (2) Documents directly related to CBDC are limited

	~ 2015	16 - 18	19	20	21	22	Draft
GENERAL DX FINANCE				• Approving the proposal to develop a Decree on Personal Data Protection *(Gov: D. 138/NQ-CP)* • No. 1238/QD-NHNN issuing the Action Plan of the banking sector to implement the Government's action program to implement number of guidelines and policies for proactive participation in the Fourth industrial revolution (Industry 4.0 *(SBV: D. 1238/QD-NHNN)* • National Financial Inclusion Strategy in Vietnam toward 2025, Vision 2030 *(PM's Decision No.149/ 2020)*	• Approving to develop a Decree on a Testing of Fintech activities *(Gov: D. 100/NQ-CP)* • Approving Plan for Digital Transformation of Banking Sector *2025-2039 (SBV: D. 810/QD-NHNN)*	• Approving the Financial Strategy to 2030 *(PM:D. 368/QD-TTg)* • National strategy for development of digital economy and digital society to 2025, orientation to 2030 *(PM: D. 411/QĐ-TTg)* • Promoting digital transfor mation *(SBV: D. 02/CT-NHNN)* • Plan for Digital Transformation in the banking sector in 2022 *(Decision No. 1097/QD-NHNN dated June 28, 2022)*	
CASHLESS	• Approving Scheme of non-cash payment 2006 – 2010 *(PM: D. 291/QĐ-TTg)* • Approving scheme to promote non-cash payment in Vietnam 2011 – 2015 *(PM: D. 2453/QĐ-TTg)* • Non-cash payment (accounted related procedure, scope and responsity of revelant organazition) (Gov: D. *101/2012/ND-CP)* • Guiding non-cash payment services *(PM: D. 41/QD-TTg)* • Guiding the opening and use of payment accounts at payment service providers (*SBV: C. 23/2014/TT-NHNN*) • Guidance on intermediary services *(SBV: C.23/2019/TT-NHNN*)	· Approving Scheme to promote non-cash payment 2016 – 2020 *(PM: D. 2545/QĐ-TTg)* · Bank card operations in which card issuer can issue debit/credit/prepaid/personalized prepaid cards online customer through *(SBV: C. 19/2016/TT-NHNN*	· Promoting payment of social security services thro ugh non-cash payment means *(VSS: Plan N o. 1764/KH-BHXH)* • Provision of payment services not through customers' payment accounts at public postal service providers *(SBV: C. 38/2019/TT-NHNN)*	• Promoting the implementation of non-cash payment development solutions *(SBV: D. 22/CT-TTg)* • Guiding the opening and use of payment accounts at payment service providers *(SBV: C. 15/VBHN-NHNN)*	· Approving the pilot Mobile-Money service for VNPT-Media *(SBV: D. 1820/QD-NHNN)* · Approving the project to develop non-cash payment in Vietnam for the period of 2021 – 2025 *(PM: D. 1813/QD-TTg)*		
CBDC					• Assigning the State Bank to study, build and pilot the use of virtual currency based on blockchain technology *(Gov: Decision No. 942/QD-TTg)*		
OTHERS (eKYC, digital currency)		• On amendments to government's decree No.101/2012/ND-CP dated November 22, 2012 on Non-cash payments *(Gov: Decree No. 80/2016/ND-CP)* • Approving the project to complete the legal framework for the management and handling of virtual assets, cryptocurrencies, and virtual currencies *(PM: Decision No. 1255/QD-TTg)* • On measures to enhance control of virtual currency-related transactions *(SBV: D. 02/CT-NHNN)*		• Approval of personal data protection decree *(Gov: Resoluation 38/NQ-CP)*	• **Vietnam Blockchain Association** is allowed to establish *(MOA, Decision No. 343/QD-BNV)*		• **P**rotection of personal data *(Gov Decree)* • Electronic identification and authentication *(Gov Decree)*

Source: B&Company Synthesis

Financial Inclusion – Goal, Achievement to 2021 and Plan to 2025

The DX plan in Financial Inclusion is specifically issued with four goal groups on basic access, product & services, finance infrastructure and legal framework
By the end of 2021, After nearly 2 years of implementation, there have been some improvements recorded, but to achieve the targets of 2025 still need to continue to strive

<table>
<tr><th>GOALS</th><th>ACTIONS</th><th colspan="4">ACHIEVEMENT (2021)</th><th>TARGET TO 2025</th></tr>
<tr><td rowspan="3">BASIC ACCESS - Convenient access to affordable basic financial products and services</td><td rowspan="3">• Develop banking agent models
• Develop low cost digital distribution channels
• Expand the coverage of service points of credit institutions
• Use the public postal network to provide basic financial service
• Develop systems of microfinance projects</td><td rowspan="3">· Presence of financial institutions and product diversity both improved</td><td colspan="2">Percentage of communes have a point of provision of financial services (excluding the Bank for Social Policies)</td><td>31%</td><td rowspan="3">• 50% of communes have a point of provision of financial services
• 20 branches/transaction offices of commercial banks per 100.000 adults
• >80% of adults have transaction accounts
• 25% - 30% of adults have savings in credit institutions
• > 70% of adults have credit history in SBV's Credit information system
• The ratio of insurance revenue to average GDP reaches 3,5%</td></tr>
<tr><td colspan="2">Avg. number of ATM/100,000 adults</td><td>27</td></tr>
<tr><td colspan="2">Avg. number of POS/100,000 adults</td><td>379</td></tr>
<tr><td rowspan="6">PRODUCT & SERVICES - Diversification of basic financial products and services</td><td rowspan="6">• Promote cashless payments
• Boost development of financial products and services for (1) agricultural production and rural areas (2) SMEs, cooperatives and household businesses:
• Use the public postal network to provide basic financial service</td><td rowspan="4">· Credit institutions continue to develop online distribution channels and non-cash payment solutions</td><td rowspan="4">The first 9 months of 2021 compared to the same period last year, the growth percentage in value of</td><td>Payments via QR code</td><td>128%</td><td rowspan="6">• The number of cashless payments increases by 20% - 25% every year
• The ratio of [Credit outstanding balance for agricultural and rural development]/ [Total credit outstanding balance of the economy] reaches 25%
• > 250.000 SMEs have outstanding debts in credit institutions</td></tr>
<tr><td>Mobile payments</td><td>88%</td></tr>
<tr><td>Internet payments</td><td>30%</td></tr>
<tr><td>Domestic payments via bank card</td><td>18%</td></tr>
<tr><td colspan="2">· Balance and concentrate capital sources for credit programs serving agricultural and rural development</td><td>Credit for agriculture and rural areas growth rate</td><td>13.5%</td></tr>
<tr><td>· New products and services have been researched and deployed including:</td><td colspan="3">• Opening accounts by eKYC method;
• Online savings, Transferring money and paying for public services
• Making investments and loans on digital channels;
• AI Customer services</td></tr>
</table>

Source: PM’s Decision No.149 in 2021 and B&Company Synthesis

Financial Inclusion – Goal, Achievement to 2021 and Plan to 2025 (2)

Financial infrastructure increases consistency and implement ACH System, also more legal documents were issued

GOALS	ACTIONS	ACHIEVEMENT (2021)	TARGET TO 2025
INFRASTRUCTURE - Completion of the financial infrastructure	• Complete payment infrastructure • Develop National database of (1) Residential (2) Financial inclusion (3) Credit information	• The inter-bank electronic payment system was centralized to a single processing center • ACH system & the national database on population was officially operated • Expanding information coverage: Credit Access Index ranks 2nd in ASEAN	• N/A
POLICY - Completion of the Legal Framework	Studying, amending or promulgating regulations on: • Banking agent models • Client identity verification (e-KYC) • Non-cash payment (Digital currency, Pre-paid, e-wallet, financial products and services on digital platforms) • Microinsurance products for low-income people • Managing the implementing financial inclusion, fintech trials in banking sector • Exploiting National Database • Protecting financial consumers	• Promulgating 01 Law, 01 Resolution, 06 Decrees, 05 Decisions and directly promulgated 17 Circulars, creating an increasingly synchronous legal basis (Mainly to support lending out of poverty; provide Digital financial services such as eKYC; safety regulations; etc)	• N/A

Source: PM's Decision No.149 in 2021; B&Company Synthesis

Strategy for DX in banking industry to 2025, orientation to 2030

Objectives and tasks of DX of the Banking industry along with a number of specific targets for SBV and Credit institutions up to 2025 and 2030 are specified (1) SBV needs to apply technology to build payment system and build e-government, (2) Credits institutions need to promote cashless payments and increase the proportion of non-credit services with digital tools

TARGET

THE WHOLE BANKING INDUSTRY

- Implement the DX plan based on the legal framework, high quality HR
- Prevent and detect threats to ensure security, confidentiality, and continuity of important information systems

SBV

- Innovate IT applications to build e-government
- Modernize the banking inspection and supervision system
- Build support systems for State management of SBV
- Innovate the professional foundation and IT infrastructure of the Interbank Payment System according to international standards

Percentage of	2025	2030
Public services eligible for level 4	100%	
Level 4 public services integrated on the National Public Service Portal	100%	
Work records at SBV stored and processed online	90%	100%
SBV's inspection and supervision activities carried out online and SBV's information system	50%	70%
Periodic reporting regimes and targets under the management of SBV digitally signed and sent through the information technology system	100%	
Transactions on the Public Service Portal and the State Bank's One-Stop Information System authenticated electronically	100%	

CREDIT INSTITUTIONS

- Standardizing banking operations and operations on technology platforms; increase the proportion of non-credit *services*
- Promote cashless payments by developing digital banking services

Percentage of	2025	2030
Banking operations can be done online	50%	70%
Adults use e-payment	50%	80%
Transaction amount is online	70%	80%
Credit institutions have the proportion of online revenue reaching 30%	60%	80%
Decisions to disburse and lend small loans is online	50%	70%
Work records stored and processed online	70%	90%

Sources: SBV's decision No. 2655/QĐ-NHNN in 2019 & No.810/QĐ-NHNN in 2021

Strategy for DX in banking industry to 2025, orientation to 2030 (2)

The whole industry has important common tasks in terms of safety, human resource development, data utilization, and awareness raising , SBV has the task of perfecting the management system and supporting the construction of e-government, Credits institutions has the task of expanding information networks and banking services, technology adoption and fintech cooperation

ACTION & SOLUTION

1. Developing IT application in the banking industry

SBV	Upgrade website; systems: Inter-bank electronic information, core banking, anti-money laundering information, monitoring information on banking; payment; credit fund systems, etc Building & implementing e-government in SBV	**CREDIT INSTITUTIONS**	Digital banking model, expand distribution network, apply key technologies, cooperate with fintech company

2. Information technology infrastructure development

SBV	Build data center technical infrastructure, shared data over network connecting from the data centers of the SBV, provincial and city branches and credit institutions	**CREDIT INSTITUTIONS**	Build data centers; LAN/WAN architecture

3. **Security and safety of information systems**
4. **Developing information technology human resources**
5. **Strengthen communication & international cooperation**
6. **Effectively develop and exploit digital data**

Sources: SBV's decision No. 2655/QĐ-NHNN in 2019 & No.810/QĐ-NHNN in 2021

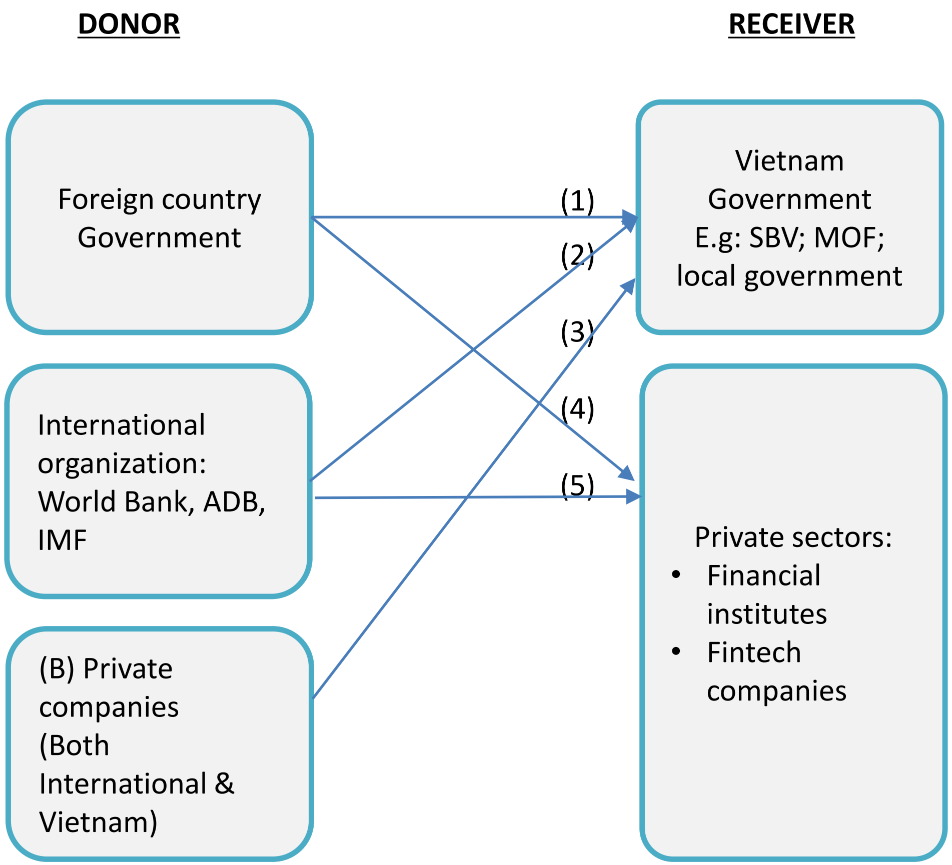
Chapter 1: Vietnam situation about digital currency and related socio-economic issues

- Vietnam payment ecosystem
- Vietnam National Strategy and Legal framework
- **Cooperation status of donors**

Review the status of cooperation

Collaborative activities are divided into 5 main groups, this research will focus on Gov-Gov and Int' donor-Gov groups

Main focus of this research



Cooperation type (Donor – Receiver)	Form of cooperation	Purpose of donor for the cooperation
(1) Gov - Gov (2) Int' donor – Gov	Technical or Financial assistance program for the development of payment system or financial inclusion	• Improve management capacity of state agencies • Macroeconomic solutions such as monetary policy operability • Solve socio-economic problems (poverty reduction, support SMEs…)
(3) Private companies – Gov	Technical support for payment system, non cash payment (Private companies are mostly fintech or financial institutes)	• Introduce the new technology to Vietnam (directly to Government or indirectly to the Private sector through the Government's support) • Create the business environment for innovation
(4) Gov – Private sector (5) Int' Org – Private Sector	Technical or Financial support	• Support the development of fintech or financial products/services • Utilize the network between Private Sector and VN government for future cooperation

Source: B&Company Synthesis

International organizations – Focus areas related to finance

ADB, WorldBank and IMF, as well-known donors in finance sector in Vietnam, are covering many supporting themes, remaining some advisable themes for JICA in the future

ORG	Current focus related to finance in VN
ADB	• **Financial inclusion**: most active area. – Support program loan for VN. – Working with banks to support women's entrepreneurship • **Fintech**: – Organize Fintech Challenge. – Provide technical assistance to SBV for Regulatory Sandbox, propose a significant expansion of technical assistance for regulatory oversight and ecosystem formation in fintech • **Credit rating agencies & security market bonds** – Cooperate with the Ministry of Finance, and State Security Commission of VN (SSC)
World bank	• **The financial soundness of banks and the stabilization of the banking system:** Support SBV to determine the indicators, need-to-be developed issues, decision making process, legal basic, AML measure • **Financial inclusion and payment systems**: – Provide technical assistance for new payment methods such as mobile money & e-wallets – Financial support to establish the National Payment System – In 2013, we also built a system to enhance the capacity of interbank settlement in a project-type loan called the Lending project. → Is considering to make new support for improvement • **Capital market & nonbank area** • **Sustainable finance:** green bonds, green credits, public insurance system and agricultural insurance to prepare for the climate change and disasters
IMF	• **Monetary policy advisory** • **Interbank and macroprudential issues** – Support for strengthening analytical capacity, known as FPAS in order to issue monetary policy: Assess strengths and weakness of sectors in order to determine guidelines for future TA – AML/CFT: policy developing

Expect toward JICA*
• Current stock market development • International Financial Reporting Standards (IFRS)

*: from hearing with donors in 2021, 2022

Source: B&Company Synthesis

International organizations – Project types

Amongst 3 international donors, ADB seem to be the most active donor in finance sector with more number of projects in Vietnam

ORG	Status	Financial Inclusion (10)	Financial Stabilities (7)	Macroeconomics (6)
ADB	**On-going (5)***	• Vietnam Prosperity Bank Expanding Access to Finance for Women-Owned Small and Medium-sized Enterprises Project (2022-N/A)	• *Building Financial Resilience and Stability to Reinvigorate Growth (2022-2023)*	• *Strengthening Public Financial Management in Selected Countries of Southeast Asia (2022-2024)* • *Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls (Subproject B) (2019 – 2023)*
	Closed (10)	• *Financial Sector Development and Inclusion Program, Subprogram 1 (2018–2020)* • *Financial Sector Development and Inclusion Program (2016–2021)* • Microfinance Development Program Subprogram 2 (2014–2015) • *Financial Sector Deepening Program, Subprogram 1 (2013–2014)* • *Improving Financial Inclusion in Asia and the Pacific (2012–2016)*	• *Strengthening Financial Markets (2014–2018)* • *Enhancing Financial Stability (Scoping) (2013–2014)*	• *Developing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Approaches, Methodologies, and Controls) (2016 – N/A)* • *Supporting Public Financial Management in Viet Nam (2015–2017)* • *Training in Monetary Policy and Exchange Rate Management (2009- 2012)*
World bank	**On-going (2)**	N/A	• *Strengthening Banking Sector Soundness and Development (2020-2023)* • *The Global Findex Database (since 2011)*	N/A
	Closed (7)	• *The Universal Access to Finance (UFA) initiative (2020)* • *Bringing E-payment Services to Vietnam's Ethnic Minorities in Rural and Remote Areas (2017 - 2021)* • *The Financial Inclusion Support Framework (FISF) (2016-2021)* • *Rural Finance Project (2008 - 2013)*	• *Payment System and Bank Modernization Project (Phase 1: 1996 – 2003; Phase 2: 2005 – 2011)* • *Financial Market Infrastructure Development Project (N/A)*	• *Financial Sector assessment program (FSAP) (2014)*
IMF	N/A	N/A	N/A	N/A

Note: N/A: Not available; (x)* Number of found projects by desk research; Type of support: *Italic text: Technical Assistant*; Underlined: Financial Assistant
Source: B&Company Synthesis

Some main projects of Foreign country Government

There aren't many bilateral initiatives among governments of countries that have been studied, with the majority coming from the USA, Australia, and Japan

ORG	Financial Inclusion	Financial Stabilities	Macroeconomics
USA Gov (USAID)	• N/A	• *Mekong Vitality Expanded Alliance (2014-2017)*	• *Linkages for small and medium enterprises (LINKSME) (2018-2023)*
AUS Gov	• Bringing E-payment Services to Vietnam's Ethnic Minorities in Rural and Remote Areas (2017-2020) • The Women's Economic Empowerment through Agricultural Value Chain Enhancement (WEAVE)	• N/A	• N/A
GBR Gov (FCDO)	• N/A	• N/A	• *British Council - Vietnam - Newton Fund (2015-2020)*
JPN Gov (JICA)	• Three (03) Loan Agreements for Small and Medium-sized Enterprises Finance Projects (SMEFP-I, II, and III) in 1999, 2005 and 2009 • Project for Promoting Gender-Responsive Financial Inclusion through Vietnam Women's Union (2019 - 2021) • Project of promoting women's financial inclusion targeting micro, small and medium-sized enterprises (MSMEs) in Vietnam" (2021-2025) (An SMBC-JICA syndicated loan to VPB)	• Vietnam Bank Restructuring Support Project (2014-2017)	• The Project for Strengthening Capacity of Monetary Policy, Economic Analysis and Forecasting (2017 – 2020)

Appendix

Financial project list - ADB

ADB has been implementing many support activities in all 3 areas, both in terms of Technical & Financial Assistance

#	Project Name	Period	Category			Type of support		Note / Key activities
			Macro	Financial Inclusion	Financial Stability	Financial Aid	T/A	
On-going								
1	Vietnam Prosperity Bank Expanding Access to Finance for Women-Owned Small and Medium-sized Enterprises Project	2022–N/A		O		O		Granted 0.75 MUSD Proposed loan: 500 MUSD
2	Strengthening Public Financial Management in Selected Countries of Southeast Asia	2022–2024	O				O	
3	Building Financial Resilience and Stability to Reinvigorate Growth	2020–2023			O		O	
4	Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls (Subproject B)	2019–2023	O				O	
Closed								
5	Financial Sector Development and Inclusion Program, Subprogram 1	2018–2020		O			O	
6	Developing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Approaches, Methodologies, and Controls)	2016 – N/A	O				O	
7	Financial Sector Development and Inclusion Program	2016–2021		O			O	
8	Supporting Public Financial Management in Viet Nam	2015–2017	O				O	
9	Strengthening Financial Markets	2014–2018			O		O	
10	Microfinance Development Program Subprogram 2	2014–2015		O		O		Loan: 50 MUSD
11	Enhancing Financial Stability (Scoping)	2013–2014			O		O	
12	Financial Sector Deepening Program, Subprogram 1	2013–2014		O		O	O	Loan: 45 MUSD
13	Improving Financial Inclusion in Asia and the Pacific	2012–2016		O			O	
14	Training in Monetary Policy and Exchange Rate Management	2009- 2012	O				O	Enhanced capacity of the staff of the SBV

Note: * Technical Assistance; O Available; N/A No available
Source: B&Company Synthesis

Appendix (2)

Financial project list - World Bank & IMF

World Bank is focusing on Technical Assistance, aming for financial inclusion

	#	Project Name	Period	Category			Type of support		Note / Key activities
				Macro	Financial Inclusion	Financial Stability	Financial Aid	T/A *	
WB[1]	**On-going**								
	1	Strengthening Banking Sector Soundness and Development	2020-2023			O		O	
	2	The Global Findex Database	2011[2]			O		O	A public report issued for a certain number of years
	Closed								
	3	Financial Market Infrastructure Development Project	N/A			O		O	
	4	Bringing E-payment Services to Vietnam's Ethnic Minorities in Rural and Remote Areas	2017-2021		O			O	
	5	The Universal Access to Finance (UFA) initiative	2020		O			O	
	6	The Financial Inclusion Support Framework (FISF)	2016-2021		O			O	
	7	Financial Sector assessment program (FSAP)	2014	O				O	
	8	Rural Finance Project	2008-2013		O			O	
	9	Payment System and Bank Modernization Project	1996-2011			O		O	(Phase 1: 1996 – 2003; Phase 2: 2005 – 2011)
IMF	N/A								

Note: * Technical Assistance; O Available; N/A No available
[1] World Bank; [2] Since 2011
Source: B&Company Synthesis

Appendix (3)

Financial project list - Bilateral donors

	#	Project Name	Period	Category			Type of support		Note / Key activities
				Macro	Financial Inclusion	Financial Stability	Financial Aid	T/A *	
USA Gov (USAID)	**On-going**								
	1	Linkages for small and medium enterprises (LINKSME)	2018-2023	O				O	
	Closed								
	2	Mekong Vitality Expanded Alliance	2014-2017			O		O	Develop business-woman community
Aus Gov	**Closed**								
	1	Bringing E-payment Services to Vietnam's Ethnic Minorities in Rural and Remote Areas [1]	2017-2020		O		O		Provided 0.75 MUSD
	2	The Women's Economic Empowerment through Agricultural Value Chain Enhancement (WEAVE)	2016-2019					O	
GBR Gov (FCDO)	**Closed**								
	1	British Council - Vietnam - Newton Fund	2015-2020	O				O	
KOR Gov (FCDO)	**Closed**								
	1	British Council - Vietnam - Newton Fund	2015-2020	O				O	
JPN Gov (JICA)	**On-going**								
	1	Project for Promoting Gender-Responsive Financial Inclusion through Vietnam Women's Union	2022		O			O	
	2	Project for SME Promotion and Industrial Development	2020-2023	O				O	

Note: * Technical Assistance; O Available; N/A No available

[1] Partially financed a program of WorldBank

Source: B&Company Synthesis