

Technical Update

April 2022

1. Amendments to the draft Decree on Regulatory Sandbox of Financial Technology (“Fintech”) Activities in the Banking Sector (“Fintech Regulatory Sandbox”)

On 1 April 2022, the State Bank of Vietnam released the second draft of the Fintech Regulatory Sandbox (“**2nd Draft**”). Compared to the previous draft released in 2021 (“**1st Draft**”), the 2nd Draft creates a more favorable environment for participants of the Fintech Regulatory Sandbox. Notable amendments in the 2nd Draft include the following:

- Extends the scope of management to include technology solutions applied in the banking sector and credit institutions or launched by independent financial technology companies. Under the 1st Draft, the scope of management was limited to solutions applied only to banking activities.
- Refines definitions in the Fintech sector and includes additional defined terms, such as:
 - Blockchain Technology (“**Blockchain**”) means a technology helping record and transmit data through a computer network with several peer-to-peer nodes, in which a full node shall automatically be synchronized a copy of the blockchain; the blocks shall be added to the Blockchain in a chronological order upon having automatic consensus by software, chained together and encrypted to make it impossible to change;
 - Distributed Ledger Technology (“**DLT**”) refers to the technological infrastructure and protocols that allow several computers in various locations within a network to propose and validate transaction records and simultaneously update and synchronize those records in an immutable manner.
- Adds DLT in banking activities to the list of Fintech solutions in the banking sector that are allowed to participate in the Fintech Regulatory Sandbox.
- Proposes a separate section on operating principles, conditions, criteria and the application dossier for Fintech Regulatory Sandbox in peer-to-peer lending, to ensure safety during the operation and pilot phases of such solution.
- Supplements the conditions on personnel of the participants of the Fintech Regulatory Sandbox, including the legal representative, the General Director (Director) and staff implementing Fintech solutions.

2. Approval for extending the term of the regulatory sandbox in bad debts settlement of credit institution

On 29 March 2022, the Government approved Resolution No. 47/NQ-CP, agreeing in principle to extend the effectiveness of Resolution No. 42/2017/QH14 of the National Assembly on the regulatory sandbox in bad debts settlement of credit institutions (“**Resolution 42**”). Resolution 42 came into effect on 15 August 2017 and is set to expire on 15 August 2022 following five years of implementation. According to the assessment, over the past five years, Resolution 42 contributed significantly to controlling bad debts below 2% and ensuring the safety of the credit institution system.

To address concerns of the increase in bad debts and its negative impact towards the economy following the recurrence of Covid-19, the State Bank of Vietnam proposed extending the implementation term of Resolution 42. At the 10th session meeting, the National Assembly's Standing Committee agreed with the proposal to extend the implementation term of Resolution 42 until 31 December 2023. This extension is expected to continue the control of bad debts and further ensure the safety of the credit institution system.

3. Approving the national strategy for the development of the digital economy and digital society to 2025

On 31 March 2022, the Prime Minister approved Decision No. 411/QĐ-TTg on the national strategy to develop the digital economy and digital society towards 2025 and beyond into 2030 ("**Decision 411**"). This initiative aims to support the country in keeping up with global trends in the digital space, in developing new business lines, and in opening new markets, generating more employment opportunities.

Some of the targets for the digital economy and digital society are to bring the proportion of the digital economy to 20% of GDP in 2025 and over 30% of GDP in 2030; the proportion of e-commerce in total retail sales to reach over 10% in 2025 and over 20% in 2030; and the rate of enterprises using electronic contracts to reach over 80% in 2025 and 100% in 2030.

To reach these targets, the Prime Minister identified several key tasks, including:

- Formulating the regulations: promulgating and implementing the amended Law on Electronic Transactions and its guiding documents; adopting a regulatory sandbox framework for new digital services and new digital economy business models.
- Developing synchronous infrastructure: adopting strategies and roadmaps to digitize and improve essential infrastructure in a number of industries and areas, such as postal, transportation, electricity supply, commerce, energy, education and training, science and technology, medical, culture, sports and tourism.
- Developing a digital platform, digital data and digital human resources: developing and implementing a national data strategy; improving online training in length and volume.
- Ensuring cyberinformation security and cybersecurity, building a safe and healthy digital environment, creating trust to implement the transformation from the real environment to the digital environment.

The Ministry of Information and Communications is responsible for implementing Decision 411 in coordination with related Ministries.

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