



The Advance of **Fintech** in Vietnam



2023

An **Industry Report**
by Acclime Vietnam,
Supported by Decision Lab.

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Decision Lab

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Catalyzing Change

The Role of Fintech in Vietnam's Growth Story.



The Financial Technology industry (commonly referred as 'Fintech') leverages technology to augment, streamline and digitize traditional financial services, thus providing material benefits to public and private stakeholders across the entire economic environment.

In Asia, the Fintech industry has attracted significant support and funding from investors, governments, and corporations, as a effective way to deliver social and economic outcomes. With millions of people still unbanked or under-banked, Fintech in Vietnam is in the midst of revolutionising the entire economy.

These factors present significant opportunities for international investors to tap into new, innovative business models in the technology and financial space.

Vietnam - Fintech Launchpad in Asia-Pacific.

The growth of the middle class, tech-savvy population, and dynamic e-Commerce ecosystems is fueling the burgeoning Fintech sector in Vietnam, accompanying mature geographies in the Asia Pacific (APAC) such as China, Australia, and Singapore.

According to Robocash Group, Vietnam's Fintech is witnessing the highest growth rate in ASEAN after Singapore and is predicted to reach a staggering US\$ 18 billion by 2024.

Ongoing Fintech innovation was a significant impact on the financial services industry and promotes agile and sustainable economic development. In 2021, Deputy Prime Minister signed a decision approving a project on the development of cashless payments in Vietnam during 2021-2025 and recently, the authority approved Vietnam's National Digital Transformation Program to 2025, which represents a strong signal paving the way for Fintech investors in country.



44% of Vietnam's population is unbanked in 2022, however a much higher percentage is still under-banked.

Only 6% of the population in Vietnam have credit cards.

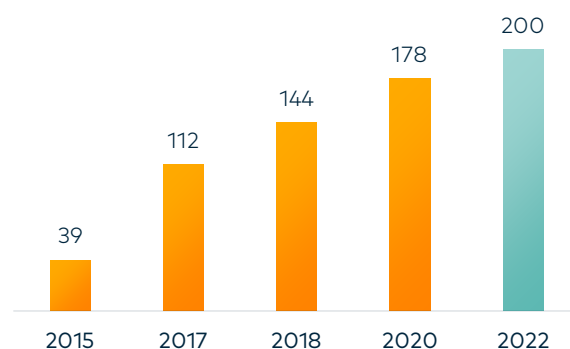
(World Bank)

In addition, Fintech companies are gradually providing what are becoming essential products and services and are set to replace significant industry participants, especially from the traditional banking system. Reports of an increase in the size and number of users of Fintech companies are solidifying the market's potential.

According to State Bank of Vietnam, the number of Fintech companies in country has quadrupled in the last few years, from 39 companies at the end of 2015 to more than 150 firms in 2021.

In a recent report from UOB, in 2022 more than 200 Fintech firms were operating in various market segments.

THE NUMBER OF FINTECH FIRMS IN VIETNAM FROM 2015 TO 2022



Source: UOB

Comparatively, Singapore leads Southeast Asia in the total number of Fintech firms operating with 1,580 companies in 2022, up 1.5 times compared to 2018. However, the Singapore market is becoming increasingly competitive and may be reaching a saturation point.

Meanwhile, Vietnam's Fintech industry is heating up and has ample room for growth within the next few years and even the next decade.

Most of the existing Fintech startups in Vietnam focus on e-wallets and payment facilitations, which are based on the rapid growth of e-Commerce and digital payments in the past 5 years. As a result, this creates an opportunity for investors and product developers to expand their businesses in other Fintech categories.

Investors who can provide a diverse range of Fintech services can leverage this foundation to offer a comprehensive and innovative value proposition to their customers, thus capturing loyal customers from the outset.



Vlad Savin

Head of Business Development,
Acclime Vietnam



Vietnam remains one of the most attractive markets in the region for investors interested in the fintech sector, and the potential for value creation is significant. To surf on the Fintech wave, entrants should be aware of the complex regulatory framework, take advantage of digital workforce as well as understand potential challenges ahead in order to build successful and sustainable products for consumers in Vietnam.



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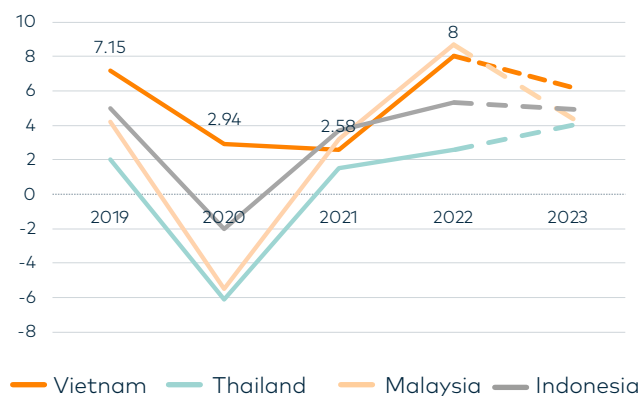
From Resilience to Growth
**Vietnam's Economic
Outlook.**

Vietnam sailing through global headwinds.

Vietnam is one the highest performing emerging markets globally that has excelled even in the recent uncertain times. The country's positive prospects are supported by its large and active population, trade liberalization, lowering the cost of doing business and consistent policies designed to support domestic and foreign investors.

In 2022, the Gross Domestic Product of neighboring economies such as Thailand and Indonesia grew 2.6% and 5.3% respectively, while Vietnam's economy exceeded global growth projections of 7.5% culminating with an impressive growth of more than 8%.

GDP GROWTH OF VIETNAM, THAILAND, INDONESIA, AND MALAYSIA (2019-2022, F2023)



Source: Asian Development Bank

Vietnam economy. A successful pivot from the pandemic.

In 2022, Vietnam's GDP per capita at current prices was estimated at VND 95.6 million per person, equivalent to US\$ 4,110 up US\$ 393 compared to 2021.

Supported by robust manufacturing development, industrial and e-Commerce growth, swift public policy recovery actions, high vaccination rates, fast border reopening and extended tax incentives which the government is continuing with in the 2nd half of 2023, Vietnam managed to become a global leader in economic growth and investment opportunities.

As Japan's Nikkei Asia mentions: "Vietnam's post-pandemic recovery momentum tops Southeast Asia and ranks eighth globally".

Internationalization supports foundational, long-term growth.

Over the last decades Vietnam has experienced an impressive level of global integration coming from a low base, the country being the signatory of 15 Free Trade Agreements with organizations and nations such as WTO, ASEAN and European Union, Japan, United Kingdom amongst others. On 30 of June 2019, Vietnam and European Union signed the European Union – Vietnam Free Trade Agreement (EVFTA), which is described as "the most ambitious free trade deal ever concluded with a developing country."



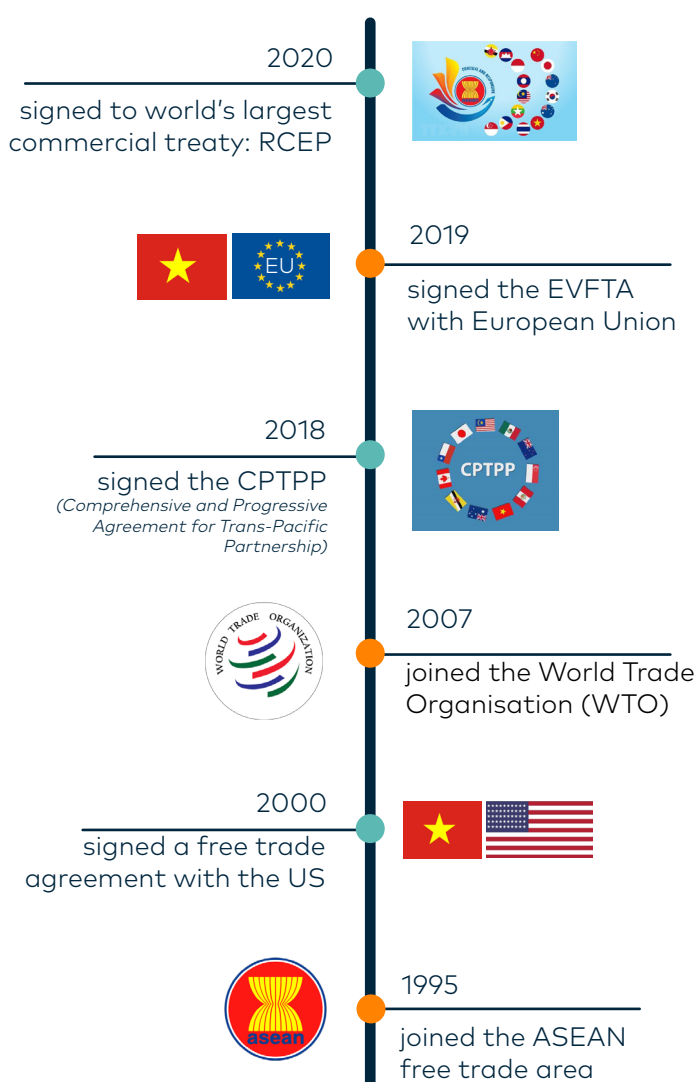
Trade between Vietnam and the EU rose **14.8%** in 2021 to US\$ 63.6 billion, after the signing of the historical treaty.

According to the Vietnam Ministry of Industry and Trade (MoIT), the trade turnover between Vietnam and the European Union (EU) in 2022 increased 5.1% year-on-year.

The latest treaty - Regional Comprehensive Economic Partnership (RCEP) which entered into effect on 1 January 2022, positions Vietnam in a key place to take advantage of 30% of the global GDP worth of US\$ 26.2 trillion, according to MoIT.

This signals the economical and geopolitical interest of the Vietnamese authorities to establish the country as a central hub of trading relations with global markets.

KEY AGREEMENTS / ORGANISATIONS THAT VIETNAM HAS SIGNED / JOINED



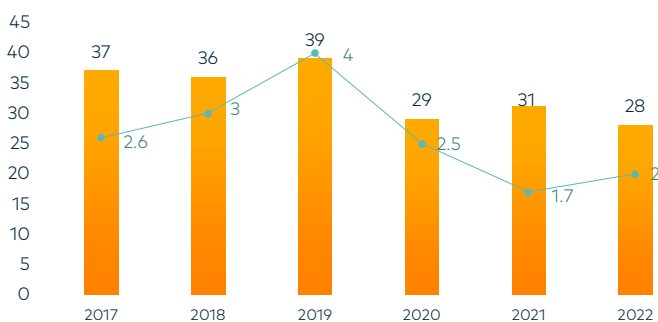
Vietnam. An attractive destination for foreign investors.

Vietnam is one of the top destinations for foreign direct investment (FDI) in Southeast Asia, especially amid the geopolitical tensions between the US and China. Vietnam has attracted FDI from a wide selection of countries, such as Japan, South Korea, Singapore, Denmark, China and Hong Kong, thanks to its socio-political stability, effective price controls, supportive industrial policies and a government that fulfills its commitments to multinational corporations (MNCs).

Vietnam has also benefited from the US-China trade conflict which started in 2018 and increased the use of diversification strategies to mitigate geopolitical risks. Many MNCs have invested in Vietnam to reduce the risk of facing high tariffs on their exports to the US. To cope with the "China plus one" strategy, the Vietnamese government has offered special investment incentives and supports to encourage FDI projects under the Law on Investment 2020 (LOI 2020), such as providing a range of tax and investment schemes, improving domestic infrastructure, and supporting industrial production.

As a result, FDI registered in Vietnam reached US\$ 27.7 billion in 2022, while FDI capital disbursement was forecasted at US\$ 22.4 billion, up 13.5% year-on-year.

FOREIGN INVESTMENT CAPITAL INFLOW IN 2022

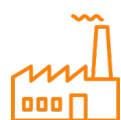


■ Total registered capital (US\$ billion)
 —● Number of newly registered projects (thousand)

Source: Ministry of Planning and Investment - Foreign Investment Agency (FIA)

In 2022, Ho Chi Minh City remained the top investment destination in Vietnam with US\$ 3.94 billion in FDI inflow, Binh Duong ranked second with a total investment capital of over US\$ 3.14 billion, Quang Ninh came after with US\$ 2.37 billion. Next were Bac Ninh, Hai Phong and Hanoi.

TOP 5 KEY FDI SECTORS IN 2022 BY TOTAL REGISTERED CAPITAL (US\$ BILLION)



16.8

(manufacturing, processing)



4.5

(real estate activities)



2.3

(energy/power)



1.2

(professional, scientific, and technical activities)



1.0

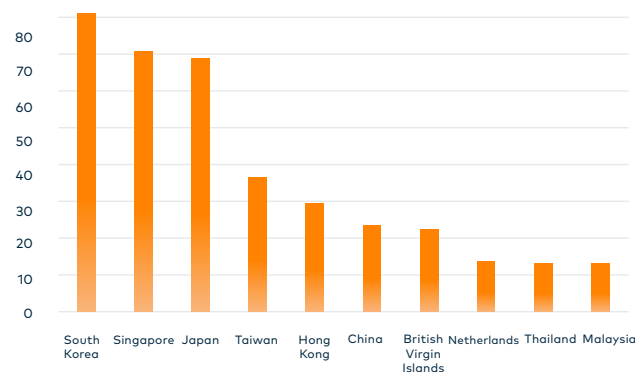
(wholesale and retail trade)

Source: General Statistics Office of Vietnam

As of 2022, there were 108 nations and territories investing in Vietnam, while Asian investors from Singapore, South Korea, Japan remained Vietnam's top source of capital inflows. In terms of sectors and industry pillars, manufacturing, real estate, renewable energy, wholesale, and retail are the most significant FDI investment sectors.

One of the most prominent foreign investment projects within 2022 was the US\$ 1.3 billion production facility from Lego Group (Denmark) in Binh Duong Province, near Ho Chi Minh City. Samsung remains the largest investor in Vietnam with total investment of US\$ 20 billion, with the company contributing over US\$ 306 billion in export turnover for Vietnam between 2018 and 2022.

TOP 10 FOREIGN INVESTORS BY COUNTRY, US\$ BILLION, LIFETIME



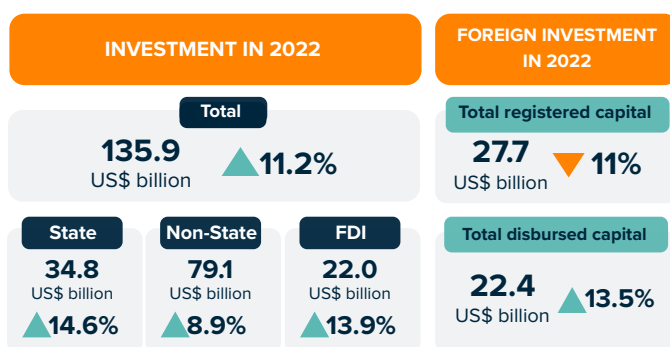
Source: General Statistics Office of Vietnam

Digital economy. Engine for growth.

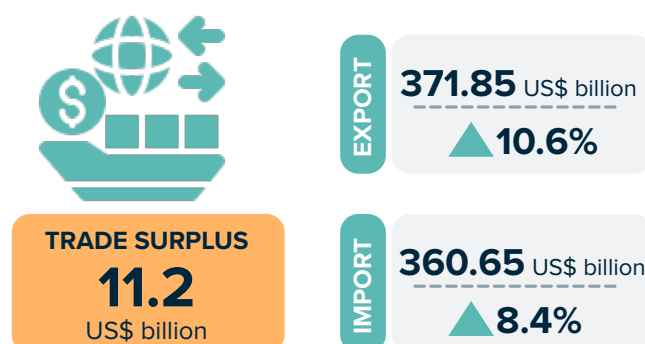
The global digitalization trend emboldened the manufacturing sector in Vietnam to speed up its advancements in productivity improvements and digital transformation. This shift towards digitalization has aligned the production sector in Vietnam with the active, agile cross-border e-Commerce sector, leveraging each other's assets and opportunities to enable a synergistic growth in both.



The consistent growth of the digital economy and the rise of e-Commerce and cross border trade platforms underpin the foundational factors for the Fintech growth in Vietnam, which was dominated in 2022 by digital payments and consumer lending.

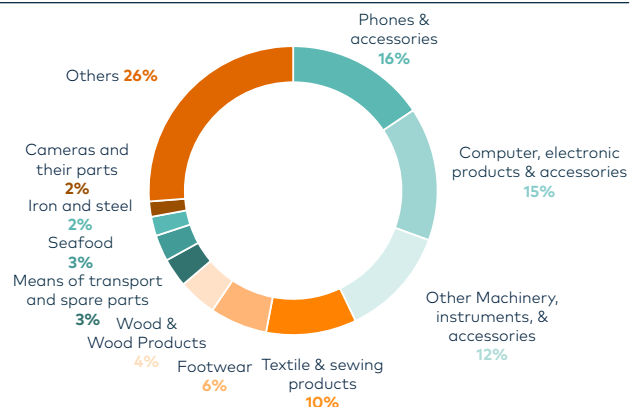


EXPORT AND IMPORT OF GOODS IN 2022



Source: General Statistics Office of Vietnam

TOP 10 EXPORT SECTORS IN 2022





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Vietnam's Digital Transformation
Tracing the Journey
of a Growing
Digital Economy.

Digital transformation has been at the forefront of the most significant growth pillars in the Asia- Pacific region, encompassing digital innovations, automatic manufacturing to national databases and e-utilities that change people's lives, such as e-Commerce and digital payments.

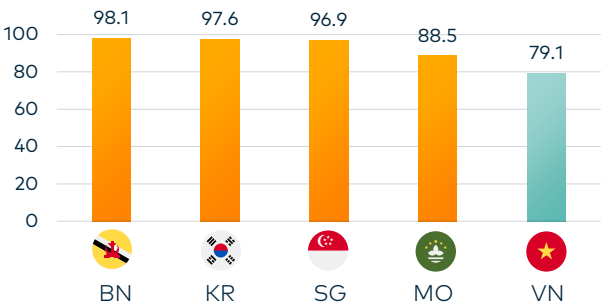
In recent years, the growth of the e-Commerce market in Vietnam, increasing digital habits of the population, and government support for digitalizing the economy have provided a nurturing ground for the expansion of the Fintech sector.

As a result, private and public stakeholders are closely monitoring this emerging opportunity, which is considered an inevitable development sector poised for significant future growth.

Digitalization is reshaping Asia.

Two of the consequential factors relevant for the digitalization potential in the APAC region are high internet penetration and the massive customer base.

THE INTERNET PENETRATION RATE IN ASIA IN 2022 (PERCENTAGE)

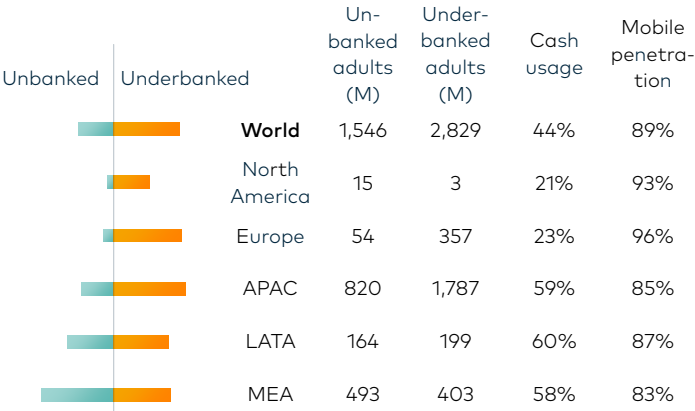


Source: Statista

According to the United Nations Population fund, Asia Pacific region is home to ca. 4.3 billion people - more than 60% of the world's population whilst **the internet population amounted to 2.6 billion - 60.5% of the total APAC population**, which presents significant room for the development of the digital landscape.

With one of the highest percentages of cash usage compared to other regions, APAC presents a major opportunity for Fintech digital payment providers to expand their offerings to customers in the region.

THE PERCENTAGE OF UNBANKED AND UNDERBANKED ADULTS ACROSS MAJOR GLOBAL REGIONS



Source: World Bank Financial Inclusion Project

Asia Pacific region accounts for 53% of the global unbanked population with more than 820 million adults still unbanked, based on data from the World Bank Financial Inclusion Project.

In 2022, the number of mobile internet subscribers in the Asia-Pacific region was about 1.29 billion, which represents 30% of the total population in the region. This is a significant increase from 2015 statistics when the number of mobile internet users in Asia-Pacific was around 700 million according to Statista. The number is projected to reach 1.5 billion subscribers in 2025 according to GSMA intelligence, underpinning the tremendous potential for developing innovative e-solutions and digital products.

SEA. A thriving startup ecosystem.

Singapore has established itself as the leading startup hub in Asia, followed by Shanghai, Beijing, Hong Kong and Tokyo. On a global scale, Singapore ranks seventeenth. This major cornerstone can be attributed to its dynamic business environment and vast opportunities for technology driven innovation. Singapore's judicial system has received worldwide recognition for its transparency and efficiency, and the country is viewed as Asia's least bureaucratic.

Businesses in Singapore are not overburdened by red tape or operations slowed down by bribery or a lengthy legal process. The government regards access to law as a vital economic asset that should be maintained and exploited to improve the country's status as a top corporate destination and a leading legal centre in Asia.

The country is home to 80 of the world's top 100 technology companies, and that's why it's also often referred to as Asia's technological capital. It is the headquarters of 59% of tech MNCs in Asia, including Google, Facebook, and Netflix.

Southeast Asia boasts a formidable startup ecosystem and is the nurturing ground to many of the global tech unicorns.

Number of global tech unicorns in some Asian countries as of 2022:

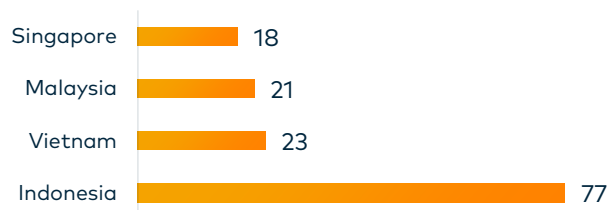


The digital economy represents a powerful catalyst for the success and scalability of the regional startup ecosystem. In 2022, Southeast Asia's digital economy reached an impressive US\$ 200 billion in gross merchandise value (GMV), according to e-Conomy insights. **With a rapidly growing tech-savvy population and a favorable global trade and geopolitical environment, Southeast Asia offers a wealth of investment opportunities for entrepreneurs and emerging businesses.**

In 2022, Indonesia had the largest internet business size in Southeast Asia, with a total internet economy value of US\$ 77 billion, while Singapore's internet economy was valued at US\$ 18 billion in the same year.

With a total digital economy value of US\$ 23 billion, Vietnam has still a long way to go to match the Singapore digital powerhouse on a per population basis. **Vietnam's population will be 20 times higher than Singapore's in 2023, however the digital economy revenue of these 2 countries is strikingly similar, signaling a significant discrepancy and a major opportunity alike. Vietnam's digital economy growth potential is set for exponential growth.**

GROSS MERCHANDISE VALUES (GMV) OF SEA'S INTERNET ECONOMY BY SEGMENTS IN 2022 (US\$ BILLION)

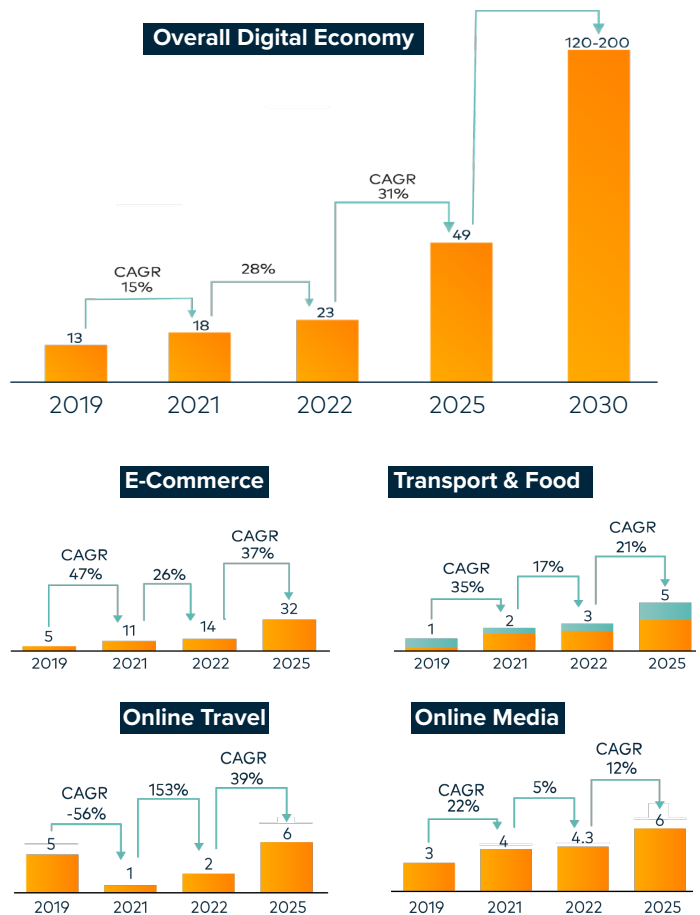


Source: e-Conomy | Google, Temasek and Bain&Company

Mapping Vietnam's digital landscape.

Rooted in stable social and economic fundamentals, the digital economy in Vietnam has shown significant growth in the context of the global political and economic crisis after the pandemic. In 2022, the Gross merchandise value of Vietnam's internet economy hit US\$ 23 billion and is **considered to pivot towards US\$ 49 billion by 2025, largely driven by e-Commerce and digital payments.**

FOUR COMPONENTS OF VIETNAM'S DIGITAL ECONOMY 2022 (US\$ BILLION)



Source: e-Conomy | Google, Temasek and Bain&Company

This growth rate is fueled in part by the high mobile penetration. According to the Ministry of Information and Communications in Vietnam, mobile broadband connectivity has touched 99.73% of communities in the country. In addition, Vietnam has 94.2 million individuals with smartphones and 82.2 million wireless broadband customers, equivalent to 74.3% of the total population.

THE DEVELOPMENT OF VIETNAM'S ONLINE INDUSTRY AND E-COMMERCE

1997 – 2005:

Vietnam becomes connected to the Internet and establishes its first internet infrastructure.



1998 – 1999:

The Ministry of Trade launched an awareness campaign covering e-Commerce.

2006 – 2015:

Growth of the internet with the number of internet users in Vietnam accounting for 45% of the population.



2016 – Present

Further expansion. As of Jan 2023, Vietnam has 77.93 million Internet users, accounting for 79.1% of the total population.

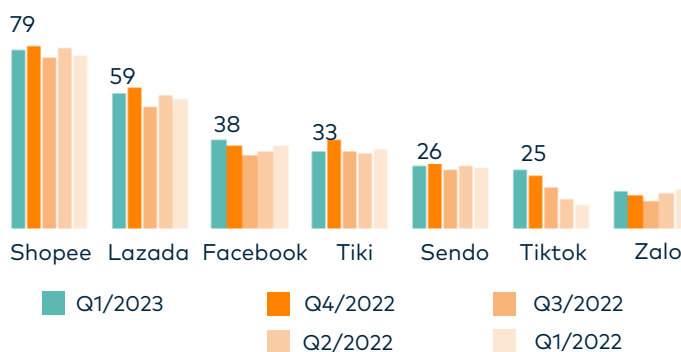
With a supportive legal environment, a considerable market size, high smartphone adoption and internet penetration, Vietnam's commitment to the economy's digital transformation creates a major opportunity for large participants in e-Commerce space to take advantage of these favorable assets, alongside proven success stories from Vietnamese local e-Commerce platforms such as Tiki, Mobile World, and Sendo.

The rise of e-Commerce, e-Transportation services.

The Fintech sector in Vietnam has made significant advances over the years, supported by the rapid development of e-Commerce amid Covid-19. The use of e-Commerce platforms has been steadily increasing in the last 2 years as people are shifting from out of home shopping to in-home shopping.

Shopee remains the most prominent e-Commerce platform in 2022 followed by Lazada and Facebook, the largest player in the social media segment. The rising star in social media - TikTok has been slowly capturing market value from established domestic participants such as Zalo and Tiki, leveraging on its new e-Commerce product: TikTok shop.

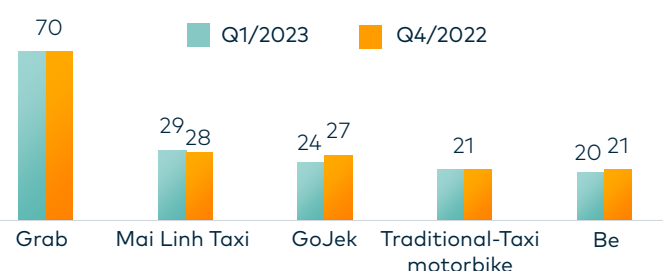
TOP PLATFORMS FOR E-COMMERCE PENETRATION RATES (PERCENTAGE)



Source: Decision Lab, The Connected Consumer Q1 2023

When it comes to e-transportation, Grab controls over a third of the transportation services business in Vietnam, compared to the other competitors and traditional taxis. As a result, digital payment participants linked with these providers are going to solidify their positions and benefit from the future growth of the e-transportation service segment.

TOP RIDE-HAILING- PENETRATION RATE 2022 (PERCENTAGE)



Source: Decision Lab, The Connected Consumer Q1 2023

Vietnam's digital journey and the growth story of Fintech.

A report by Google, Bain&Company and Temasek reveals that Vietnam is one of the fastest-growing digital economies in the region. To continue this remarkable growth, the Vietnamese government is prioritizing digital transformation across the private and public sector as a major national strategy by 2025.

Particularly, the finance sector in Vietnam is transforming rapidly as the traditional banks and Fintech companies seek to capture the significant digital consumer base. This explains why the banking industry was the first to issue a circular on e-KYC on electronic authentication, which underpins the development of digital transformation and digital banking (SBV 2023).

The growth story is supported by data from the State Bank of Vietnam showing that that **non-cash payment transactions in 2022 increased by 86% in volume and 31.39% in value.** World Bank analysis also illustrated that about **48% of the population made a digital online payment for an online purchase in 2022 while it was only 15% in 2017.**

According to a survey conducted by Visa, 65% of Vietnamese customers carry less cash in their wallets, 76% use e-wallets and card users outnumber cash users (82%). At least once a week, more than 80% of respondents use cards, QR code payments, and e-wallets. The State Bank of Vietnam studied to issue and implement a number of important policies to promote digital transformation in the banking sector such as scheme on non-cash payment period 2021-2025.



Digital payment growth reinforces the potential of the Fintech segment in Vietnam for international investors seeking to participate in the digital value chain. It showcases Vietnam as one of the frontrunners in SEA for developing the digital economy, using a proactive and practical approach towards promoting digitalization and financial innovation.

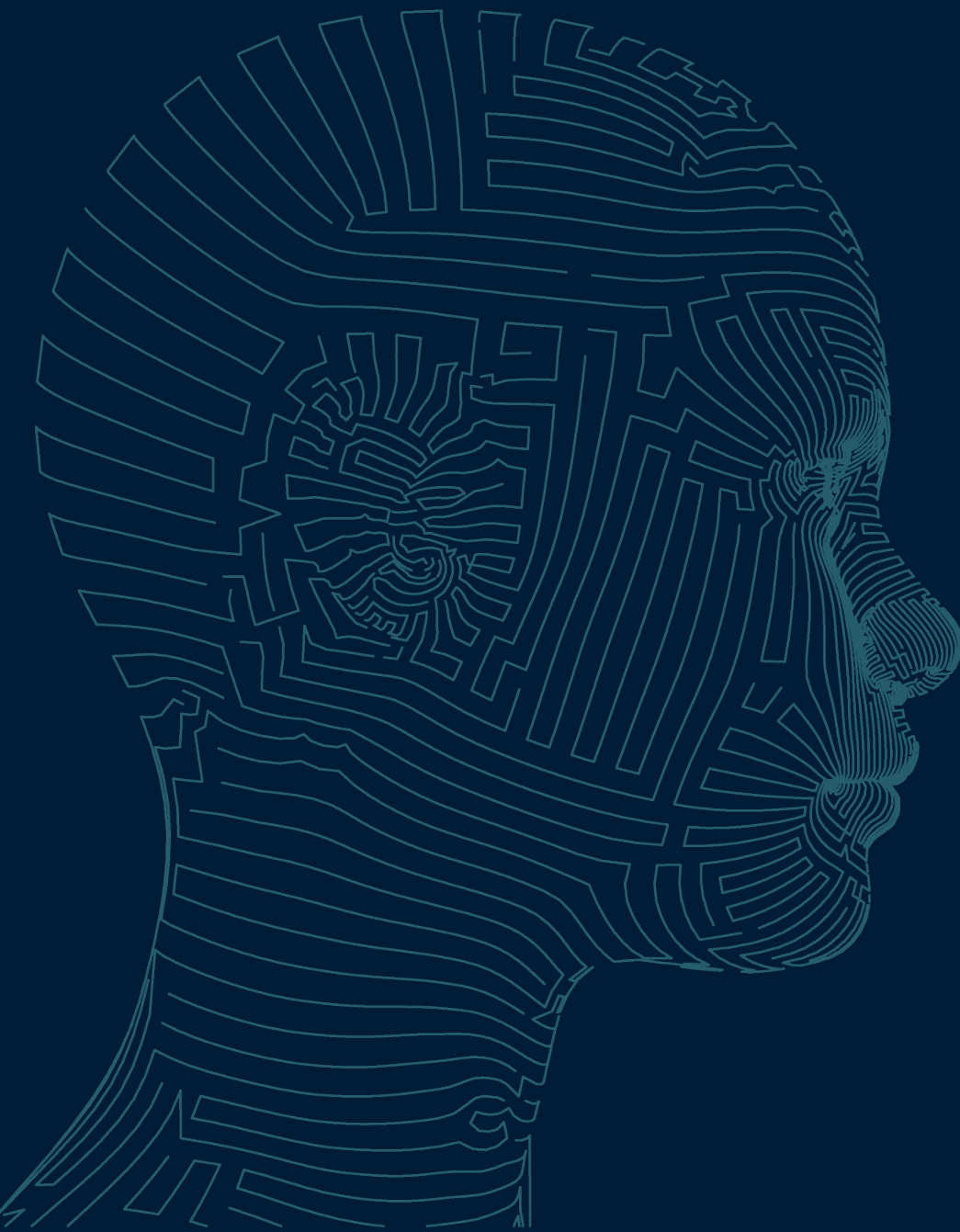


Matthew Lourey
Managing Partner, Acclime Vietnam



In 2022, transaction values in Vietnam's digital commerce categories reached US\$ 18.06 billion according to Statista, and it is predicted to increase to US\$ 35.5 billion by 2027.

4



Unlocking Opportunities

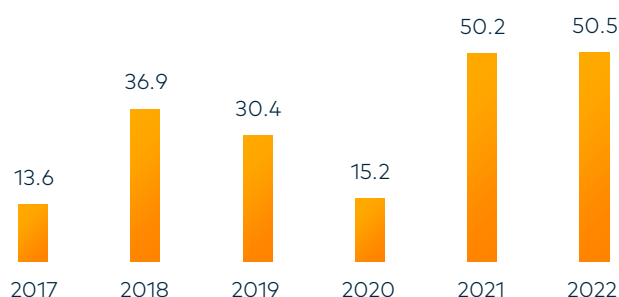
**Vietnam's Fintech
Ecosystem and Future
Prospects.**

In recent years, Asia has emerged as the leader in global Fintech growth, boasting a diverse range of mature markets such as China and Singapore, as well as rapidly emerging markets like Vietnam and Thailand. In Vietnam, Fintech applications have become widely adopted for a variety of purposes including shopping, transportation, and food delivery. This presents a thriving digital ecosystem for international investors to explore.

What is the current state of affairs for Fintech in Asia?

The overall investment in Fintech across the Asia-Pacific region rose from US\$ 13.6 billion in 2017 to US\$ 50.5 billion in 2022, representing a 60% year-on-year growth on average over the last 5 years.

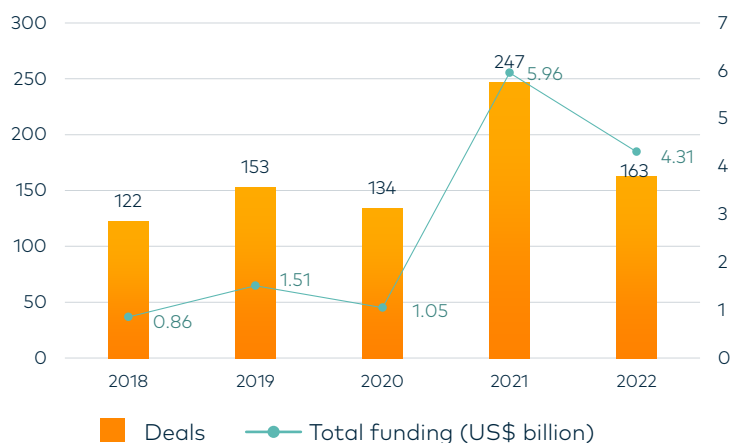
FINTECH INVESTMENT IN APAC (US\$ BILLION), 2017 - 2022



Source: Statista

2022 was a challenging year for Fintech investment globally and SEA nations were no exception. The Fintech ecosystem experienced a significant drop in funding at US\$ 4.31 billion due to several geopolitical tensions and global economic crises. However, the total funding in 2022 was still 5 times more sizeable than the recorded value in 2018, signifying a consistent growth of the sector despite the general economic turmoil.

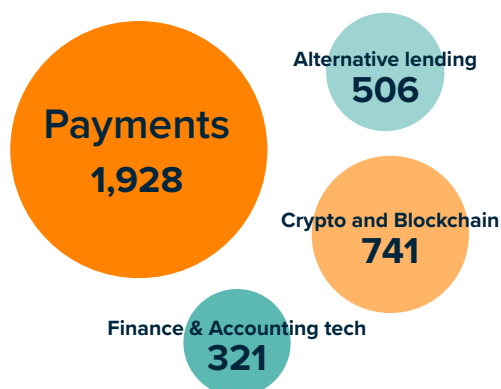
ASEAN FINTECH BY TOTAL FUNDINGS AND DEALS, 2018 - 2022



Source: UOB

Deconstructing the Fintech segments, the payments pillar led in funding value with US\$ 1.9 billion, alternative lending remained in the second position at US\$ 506 million. Despite the uncertain performance of the wider crypto and blockchain market in 2022, the cryptocurrency sector finished in third place with US\$ 461 million.

ASEAN FINTECH FUNDING BY SEGMENTS IN 2022 (US\$ MILLION)



Source: UOB

Singapore is leading the Fintech market in Southeast Asia with US\$ 1.85 billion in total funding. Singapore's Fintech ecosystem portrays a relatively different investment picture when looking at the regional or global trends in Fintech. According to Techwire Asia, the top three categories of Fintech investment in Singapore were crypto/blockchain, digital payments, and wealth tech, while globally the most funded pillars of Fintech in 2022 were digital payments, and crypto/blockchain.

Unlocking the US\$ 20 billion opportunity in Vietnam's Fintech ecosystem.

In 2022, Vietnam ranked fourth in digital transaction value among Southeast Asian countries, trailing only Indonesia, Thailand, and the Philippines. Despite this strong performance, cash remains the preferred method of payment for commercial transactions among Vietnamese consumers.

However, ongoing digitalization efforts within the country are gradually shifting traditional attitudes towards cash, presenting a promising opportunity for those looking to invest in the Fintech sector.

In the latest update from World Bank, the percentage of internet purchasers who made a cash payment upon delivery for an online purchase declined dramatically from 90% in 2017 to 59% in 2022.

As reported by Decision Lab Financial Trends Report Survey 2023, in the past 12 months, on average, a customer made payment transactions through 3.06 digital wallets, 1.49 digital banks. The competition has become more intense as consumers often use several wallets and several banks.

SOUTH-EAST ASIA NON-CASH TRANSACTION VALUE BY COUNTRIES IN 2022 (US\$ BILLION)



When it comes to regulations, according to the Robocash Group, Vietnam's Fintech regulatory environment is currently in its early stages of development and subject to government policies. Vietnam's regulatory score is lower than that of smaller developing countries such as Cambodia, indicating a need for further action within the Fintech regulatory framework. However, with the government's push for digital transformation across the country, Vietnam has the potential to rapidly develop its Fintech sector and become a significant Fintech jurisdiction such as neighbors Singapore and Hong Kong.

However, most Fintech firms in Vietnam face a unique set of challenges when scaling. Binh Tran – Co-founder of Ascend Vietnam Ventures explains:



Binh Tran

Co-founder of Ascend Vietnam Ventures and General Partner for 500 Startups Vietnam, a seed-stage fund investing in Vietnam-connected startups.



Gaining consumer trust, educating customers about novel financial behaviors, and product design to guide understanding are crucial, especially considering the low revenue per customer. Creating digital, user-friendly products is essential to scaling in a market like Vietnam. To expand globally, it requires these firms to have market-specific strategies, teams, and product development, considering the diversity of Southeast Asia. Indian Fintech companies are an obvious example which have been successful in expanding into other South Asian markets with similar demographics and financial behaviors.

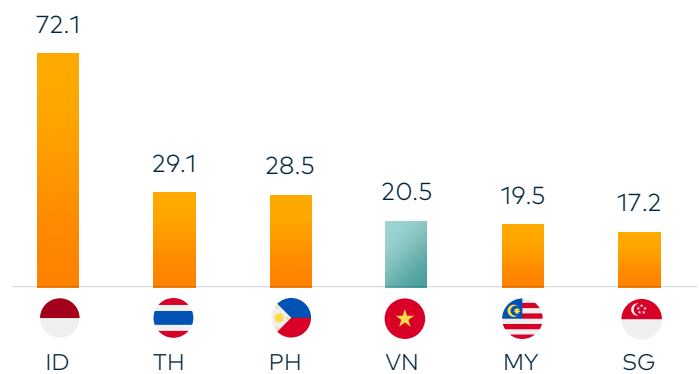
The bedrock for Vietnam’s Fintech environment.

In 2022, the value of non-cash transactions in Vietnam reached US\$ 20.54 billion, representing a steady increase from US\$ 5.5 billion in 2017.

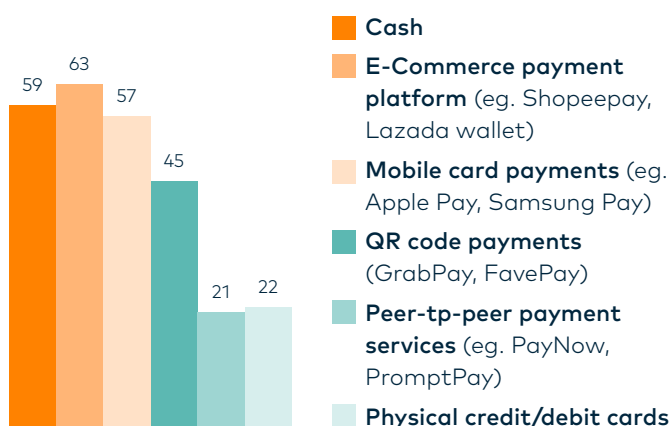
Despite this growth, the majority of non-cash transactions are still concentrated in urban areas.

According to the State Bank of Vietnam, more than 90% of transactions in rural and remote areas remain cash-based.

SOUTH-EAST ASIA NON-CASH TRANSACTION VALUE BY COUNTRIES IN 2022 (US\$ BILLION)



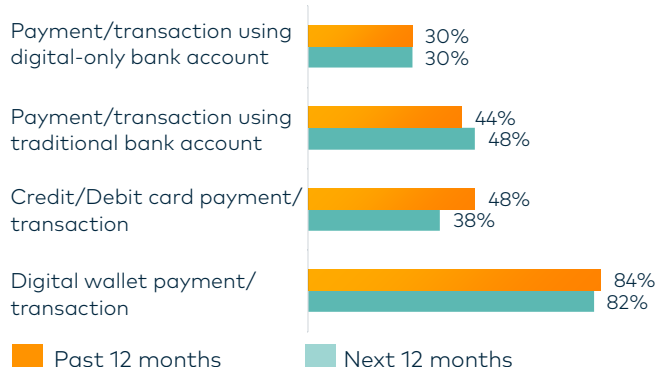
MOST USED PAYMENT METHODS IN VIETNAM IN 2022



Source: UOB

In the last year, digital wallets have dramatically surpassed cash as the most popular payment option where users favor rewards points and discounts.

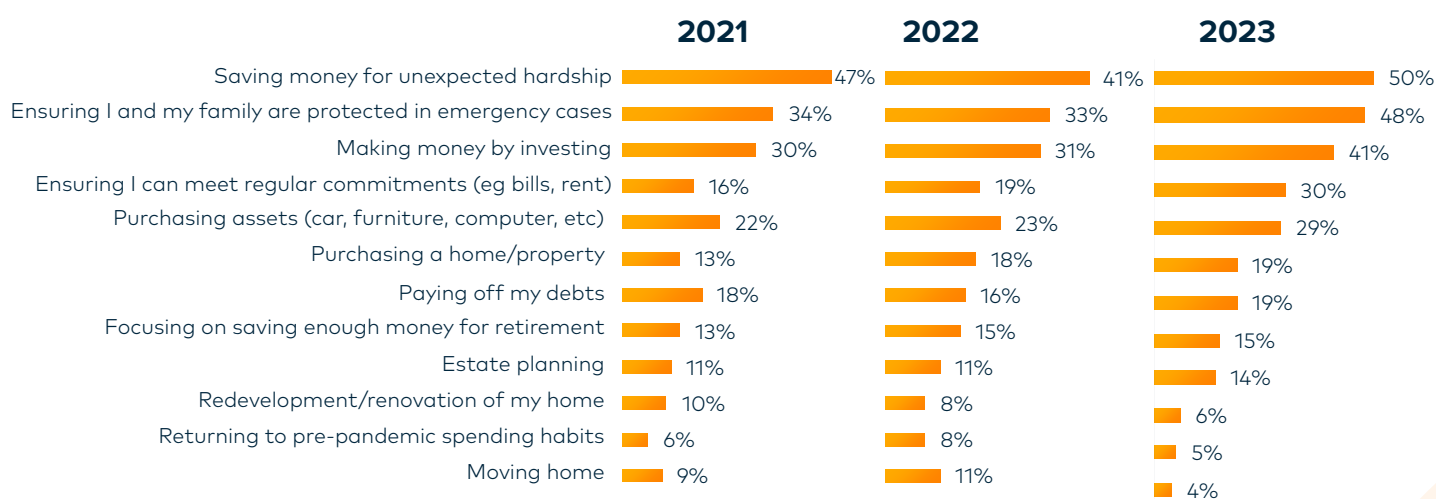
FINANCIAL ACTIVITIES IN THE PAST/NEXT 12 MONTHS



Source: Decision Lab, Financial Trends Report 2023

Consumers' main financial objectives become even more important in the face of a negative economic outlook: they want to raise monetary reserves by saving and investing to ensure financial security. Therefore, Fintech firms can provide alternative solutions for investing and saving money.

VIETNAMESE CONSUMERS - TOP FINANCIAL PRIORITIES OVER THE YEARS 2021, 2022, 2023



Source: Decision Lab, Financial Trends Report 2023

Window of opportunity and growth drivers.

The State Bank of Vietnam predicts that by 2025, personal credit will account for approximately 24% of the market for technology applications in financial services. In addition, according to Nikkei Asia, Vietnam plans to update Decree 38, which governs startups and venture capital. Nguyen Duc Long, the interim director of the National Innovation Center (NIC), suggests that the updated decree may include provisions to lift the cap on venture capital fund investors and allow them to participate in new industries, thereby providing more financial options.

Demographic benefits

One of Vietnam's advantages is its tech-savvy middle-class population with as of January 2023, 77.9 million. As this population increasingly adopts digital technologies, it presents an opportunity for consumer finance institutions to collaborate with the Fintech industry. Understanding the needs and preferences of different customer groups can help drive the development of technology-driven business models in this sector.

Vietnam Fintech Sandbox supporting business growth

According to the Ministry of Finance, in addition to creating a sandbox for Fintech, the State Bank of Vietnam (SBV) has been soliciting input on proposed regulation changes for the industry. In order to gain first-hand experience in the Fintech industry and to provide a regulatory environment for Fintech companies to test their products, the central bank sought out to establish a controlled testing system, which is meant to provide both foreign and local investors with a measure of protection against risks when investing in Vietnam's Fintech sector.

Consequently, six Fintech solutions would be piloted in the banking sector, including:



Credit grant on technology platforms,



Credit scoring



API data sharing



Peer-to-peer (P2P) lending



Use of blockchain and distributed ledger technology (DLT) in financial services



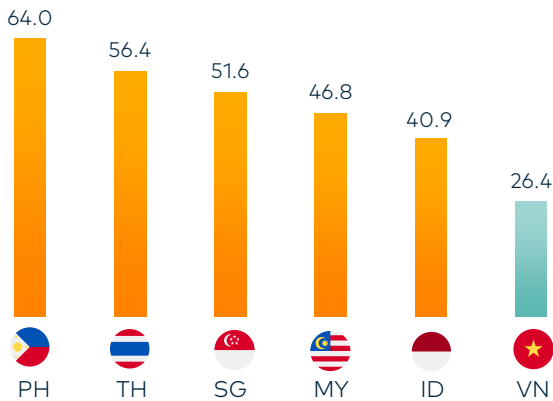
Other technologies in the banking industry and innovative business cooperation models consistent with the sandbox's objectives.

Cybersecurity and data protection

According to a new report by the cybersecurity company Kaspersky, when it comes to the risk of financial assaults on banks, payment systems, and online retailers, Vietnam is the most secure nation in Southeast Asia.

Vietnam has the lowest rate of cyberattacks related to banks, payment systems in the region with 26.36% of total cyberattacks while Indonesia sits at 40.87%, 64.03% in the Philippines, 51.6% in Singapore. However, the low fraud rate in Vietnam proportionally reflects the high number of transactions.

RATE OF FINANCIAL ASSAULTS ON BANKS, PAYMENT SYSTEMS, AND ONLINE RETAILERS IN SOUTHEAST ASIA COUNTRIES IN 2022



Source: Kaspersky

Albeit the risk of cyberattacks exists, foreign investors can be optimistic considering the government's actions in improving its cybersecurity and data privacy legal frameworks. The Law of Cybersecurity and Decree 13 regulating Data Protection and Privacy in Vietnam are major milestones in the Vietnamese legal system which enable investors to achieve a high level of protection and security.

Vietnam has the lowest rate of financial cyber-attacks in the region, 26.36%, much lower than the region's average of 43%.

E-Commerce, food delivery platforms are growth drivers for digital payments

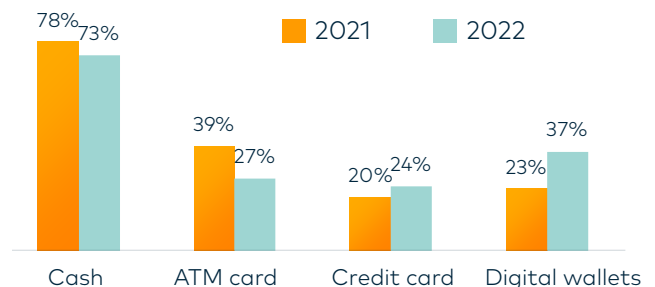
In recent years, digital payment models have vastly integrated into the economic fabric of all major industry segments in Vietnam. One of the first ones to enable a truly constructive collaboration with cashless payments is the e-Commerce sector.

The trend of digital wallets has taken the e-Commerce ecosystem and multitude of platforms by storm, offering excellent benefits to both sellers and buyers. For merchants, e-wallets keep vendors safe against fraud and ensure customers are genuine. Payments are instant, at the exact time of the purchase so that there are no delays or payment issues in case of last-minute cancellations due to external, subjective reasons. From the customer's perspective, e-wallets allow them to pay quickly and efficiently with a single click.

According to Decision Lab's The Connected Consumer Q1 2023, Quarter 4 2022 saw the continuous rise of TikTok, growing 5% QoQ. E-Commerce platforms usage rebounded overall from the previous quarter.

Leveraging the symbiotic relationship of both sectors, the increase in penetration rates of e-Commerce positively influences the growth of digital payments which accounted for 37% of total transactions in 2022.

PROPORTION OF ONLINE SHOPPING USERS, BY PAYMENT METHOD



Source: Ministry of Industry and Trade

Education growth and Fintech skills

According to Technavio, between 2022 and 2027, the higher education market in Vietnam is projected to develop at a CAGR of 15.3%. During the projected period, Vietnam's IT higher education category is anticipated to increase substantially.

In response to the rapid growth of the Fintech industry and the increasing demand for digital transformation in banking, several universities have begun offering Fintech programs. RMIT Vietnam Fintech Club was the first student-led Fintech initiative in Vietnam. RMIT Vietnam Fintech Club was formed by RMIT Vietnam students who are interested and passionate in startups, fintech, finance, and innovative technology. RMIT Vietnam Fintech Club was launched with the goal to inspire, educate, and increase the exposure of people to Fintech and digital disruption via our workshops, meetups, page contents, conferences, boot camps, and events.

The Posts and Telecommunications Institute of Technology has developed a Fintech training program to provide highly skilled human resources with expertise in both technological innovation and banking and finance.

In 2021, the International Francophone Institute (IFI) of Hanoi National University, in collaboration with UBGROUP, launched a master's program in Banking, Finance, and Financial Technology (FINTECH). This program, which is the first of its kind in Southeast Asia and follows European standards, awards degrees from the Normandie University of Management (EM Normandie) in France.

Fintech development programs within the Vietnamese higher education sector prove the potential of the industry, where the skilled workforce can leverage their expertise in bringing benefits to the entire Fintech value chain.

Integrating Fintech comes with challenges.

Legal framework still infant

Up until 2020, the Vietnamese government was quite lenient with the sector from regulatory and investment perspective, allowing foreign investments in the Fintech zone, even when there were no clear regulations and legal prerequisites for dealing with some of these new financial business models, such as P2P lending and e-wallets. In the last few years however, due to the significant growth thanks to the pandemic which forced consumers to adopt more digital financial assets and tools, the market became overcrowded, and a mindset of scrutiny has been slowly adopted.

The SBV has a double edge-sword task to handle: enable financial innovation and support the digitalization of the economy through support policies designed to attract quality investment, it also look after and create strict policies to regulate the Fintech sector and maintain stability and safety. The ultimate aim is to protect the consumer from various risks including money laundering, terrorist financing, information confidentiality and unauthorized use of personal information.

Human resources pros and cons

The shortage of skilled human resources in the Fintech sector presents a moderate challenge for Vietnam. Despite having a large population with knowledge and experience in both finance and information technology, a survey by the Institute of Banking Human Resources found that most individuals with specialized skills in finance and banking lack proficiency in information technology and foreign languages. Conversely, technology engineers often have strong IT skills but lack in-depth knowledge of finance.

To capitalize on the opportunities presented by the Fintech industry, companies should invest in Fintech education programs and upskilling the tech workforce, digitizing the skills and experiences of the significant human capital pool available in the country.

Technological infrastructure

As a developing country, Vietnam's financial infrastructure may require upgrades to support the adoption of digital products and services. In particular, there is a need to meet the demands of modern technology development, including security technology.

According to the Central Council of Theoretical Studies, there are several challenges facing the country's IT and telecommunications infrastructure. For example, the speed and quality of information technology infrastructure must be improved to support emerging technologies such as the Internet of Things, smart cities, automated vehicles, and innovative production. Additionally, mobile broadband coverage in remote and mountainous regions remains limited, and the actual connection speed is often inconsistent with the requirements of the digital environment. The 5G network is still in the testing phase and has not yet achieved widespread deployment.

Vietnam Fintech categories in brief.

Vietnam's Fintech sector has experienced rapid growth in recent years, with investments and new business activity increasing by more than 180% between 2018 and 2022, according to Statista.

The Fintech ecosystem in Vietnam comprises more than 200 companies and startups operating in a variety of fields, including digital payments, alternative finance, personal finance, insurance technology (insurtech), and B2C financial services marketplaces.

Digital payments

Vietnam's e-Commerce market is experiencing rapid growth, driven by widespread connectivity through mobile devices and communication networks. This has led to accelerated growth in several digital sectors, including digital payments.

Prior to the Covid-19 pandemic, Vietnam was considered one of Asia's most cash-reliant nations. However, during the pandemic, the country's adoption rate of cashless payments increased by 95%, making it one of the highest rates in Southeast Asia. Online purchases, point-of-sale (POS) purchases, NAPAS and member banks, payment intermediaries, and partners domestically and internationally and digital remittances are among the most popular forms of digital payment in Vietnam and have seen explosive growth in recent years. According to Robocash Group,

40 e-wallets operating companies in Vietnam

90% market share held by



The Vietnam National Payment Corporation (NAPAS) is also one of the largest financial stakeholders in Vietnam. It launched VietQR, a brand for QR code payments and transfer services, managed through a network of NAPAS and member banks, payment intermediaries, and partners domestically and internationally.

Alternative financing

In Vietnam, alternative finance includes sub-segments such as P2P lending, SME lending, and Crowdfunding. One of the most interesting sub-segments today is P2P lending.

P2P lending is an activity designed and built on a digital technology application platform to directly connect borrowers with lenders without going through financial intermediaries. SME lending and Crowdfunding enable a bridge between startups and small companies on one side and investment capital holders on another side which supports business scalability with simple and time-saving procedures.

In Vietnam, P2P lending is still a relatively new business concept, and there are no explicit rules currently governing it. Currently, around 40 P2P businesses in the country have developed platforms for user-to-user lending of funds such as Tima, SHA, Vaymuon.vn.

Fund societies such as Validus are examples of SME lending businesses who are investing in many sectors within the Vietnamese domestic economy.

Although **crowdfunding** is a relatively successful model where platforms such as Kickstarter managed to scale globally, it has yet to receive a solid market response in Vietnam.

Funding Vietnam, which was set up in 2015 is the only reputable and unique **crowdfunding platform** in Vietnam today. It is designed for innovative start-up projects with the desire to bring products to customers to help connect projects with businesses and investors.

Personal finance

Technology for personal financial management (PFM) refers to computer programs that assist with personal budgeting. Customers can track both the assets they have deposited with various financial institutions and the loans they have taken out in one interface thanks to PFM.

Personal Financial Management (PFM) platforms offer potential investment opportunities due to their ability to provide higher interest rates compared to traditional banking institutions.

Finhay, a Vietnamese personal investment app with more than 2.7 million users, has received up to US\$ 25 million in a Series B funding round led by Openspace Ventures (OSV). Finhay, Money Lover, and Tikop are some of the examples of PFM related tech applications.

Insurtech

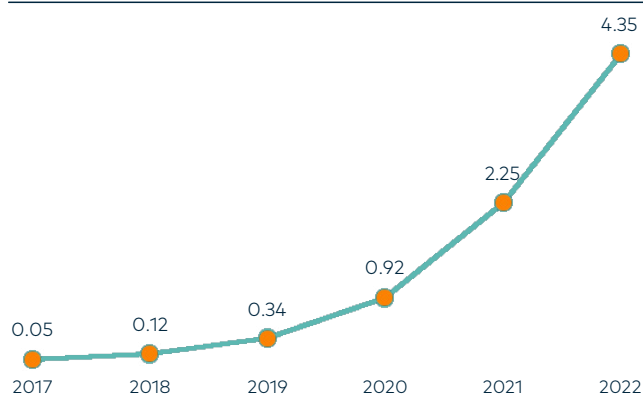
The Vietnamese Insurtech market has experienced significant growth in recent years, with numerous domestic and foreign companies entering the industry. The COVID-19 pandemic further accelerated this trend, as consumers increasingly prefer to purchase insurance and access insurance-related services online. According to a 2022 report by Google and Bain & Company, Vietnam's Insurtech market is growing at a rate of 41% per year, on par with Indonesia and the Philippines. While the market is currently small in absolute terms compared to other countries in the region, if this growth trajectory continues, it is projected to reach the scale of Thailand and Singapore's Insurtech markets within six years.



Neo-banking

A Neobank is a digital-only bank that operates without physical branches and provides services to customers through mobile applications or online platforms. All processes are fully digitized. In 2022, the transaction value of Vietnam's Neobank market reached a record high of US\$ 4.35 billion. The market is projected to grow at a compound annual growth rate (CAGR) of 17.30% between 2023 and 2027, reaching a total transaction value of US\$ 13 billion.

THE NEOBANK TRANSACTION VALUE FROM 2017 TO 2022 IN VIETNAM (US\$ BILLION)



Source: Statista

Despite this growth, the Neobanking segment in Vietnam is still in its early stages and the relevant legal framework requires further development. Timo, and Tnex are pioneering digital banking platforms in Vietnam that set new standards for banking in the country and globally. Other notable players in the market include TPBank, YOLO, and Weedigital.

Blockchain, Crypto and Metaverse

According to Ascend Vietnam Ventures, Vietnam is the global leader in crypto adoption on a per population basis. This trend is powered by a large unbanked population, residual distrust in financial institutions, and a rising middle class with disposable income. Sky Mavis, a blockchain unicorn, turned Vietnam into the world's most surprising crypto startup hotspot which has great potential for scalability. Additionally, with Vietnam producing a high number of software engineers annually, AI integration in fintech solutions offers promising prospects for future scalability.

According to a recent Meta and Bain & Company report, Vietnam is among the top 3 countries (along with Indonesia and the Philippines) in users' adoption of new technologies such as Fintech and the metaverse.



70%

digital consumers in Vietnam have utilized metaverse technology, including cryptocurrency, augmented reality/virtual reality, virtual worlds, and NFTs.

Vietnam leads Southeast Asian countries in VR adoption with a rate of 29%. Participants in the Metaverse require a payment method to trade items or virtual assets such as NFTs. As such, Fintech technologies like cryptocurrency present a viable alternative for these transactions.

According to Vietnam Insider, Vietnam ranks among the top 10 countries globally in terms of blockchain adoption, interest, understanding, and discourse. The global market has recognized Vietnam's blockchain initiatives, which have yielded numerous practical platforms and solutions for the technology and attracted a significant number of investors.

More than 10 Vietnamese companies are included in the top 200 blockchain enterprises worldwide. This serves as a solid foundation for the future development of blockchain projects in Vietnam.

According to the Global Consumer Survey by Statista, around 27% of Vietnamese respondents own or use cryptocurrencies in 2022. In recent years, Vietnam has been one of the leading countries for Bitcoin adoption.

However, the absence of a regulatory framework has resulted in several problems, including the incapacity of taxing authorities to collect taxes from cryptocurrency-related activities, the difficulty of tracking down fraudulent and criminal activities, such as money laundering, that are related to cryptocurrencies.

Buy now pay later (BNPL)

Vietnam's Fintech ecosystem is rapidly expanding, with the Buy Now Pay Later (BNPL) industry experiencing significant growth in recent years. This trend is expected to continue in the Southeast Asian market. According to insights from Yahoo Finance, the adoption of BNPL payment services in Vietnam is projected to grow at a Compound Annual Growth Rate (CAGR) of 31.9% between 2022 and 2028. This growth can be attributed to the increase in online shopping during the global pandemic, as millions of new consumers turned to digital sales channels.

Foreign investors have the opportunity to enter the Vietnamese market and offer BNPL services to customers, thereby increasing retail sales and capitalizing on the market's potential. However, measures such as electronic Know Your Customer (e-KYC) and a deep understanding of the regulatory requisites from a licensing and statutory perspective are necessary to mitigate risk in this area.

Emerging Fintech trends.

In the fast-paced world of Fintech, new trends are always emerging and changing the status quo. From cutting-edge payment technologies to groundbreaking investment platforms, the industry is constantly evolving.

Major shifts in target segmentation

Annica Witschard, CEO of Home Credit Vietnam, explains how Vietnamese banks aim to expand their capabilities to lower segments, while Consumer Finance Companies (CFCs) and Fintech lenders start to capture the mass segments currently served by banks. In other words, the competitive environment becomes more diluted, where traditional and non-traditional market participants are targeting each other's loyal consumer segments.

Increasing partnerships between financial institutions and multi-million user platforms

The collaboration between banks and Fintech is evolving, driven by the rise of digital ecosystems and increasing customer adoption. These partnerships enhance financial solutions and enable secure data sharing. For instance, MoMo is currently cooperating with 25 banks in Vietnam and expanding with more than 20,000 domestic and foreign partners.

Financial inclusion is key for growth

The government is striving to improve financial inclusion in Vietnam by supporting mobile money and calling for efforts to extend services to underserved populations and promote digital financial literacy. Notably, in 2020, the Prime Minister approved the Vietnam national strategy for financial inclusion until 2025, which aims to enable

 **>80%**
adults in Vietnam to
have bank accounts

20–25% ↑
increase in non-cash
transactions each
year

Sustainable and holistic growth, not just user growth

Organisations across various industries are acknowledging the significance of integrating sustainability, or ESG factors, into their operations and decision-making processes. There is an expectation from both consumers and investors for companies to address issues such as climate change and social justice. As such, it is imperative for Fintech companies to take action. Home Credit is at the forefront of this movement as one of the first financial institutions in Vietnam to actively implement ESG-driven practices in their daily operations. This includes promoting responsible lending and maintaining the lowest Non-Performing Loan (NPL) ratio in the market, according to Annica Witschard.

Pushing innovation boundaries.

The integration of advanced technologies and innovations with various products and services has resulted in exceptional value for both consumers and Vietnamese Fintech platforms.

A.I. and Machine Learning

In Decision 942 (2021), the Vietnamese authorities approved the strategy to advance e-governance towards a digital government during 2021-2025, with a broad scalability focus for 2030. The government has established objectives for research, development, and implementation in key areas, particularly in the field of artificial intelligence where Vietnam has a competitive advantage and potential for significant progress.

Artificial intelligence and machine learning are transforming sectors all over the world, including banking. As a result, financial organizations can leverage these for enhancing credit assessment, streamlining loan processes, personalizing financial solutions, fraud prevention or risk mitigation.

Since 2004, Sacombank Vietnam has collaborated with Temenos on several key technology projects, including the Data Lifecycle Administration for the Temenos T24 basic banking system. The program demonstrated cost savings within weeks while centralizing the bank's knowledge database and using real-time data management.



TEMENOS
The banking software company

Sacombank

With its headquarters in Geneva, Switzerland, Temenos AG (SWX: TEMN) is a tech enterprise that specializes in software solutions for banks and financial service providers.

Biometric technologies

According to the Fintech Club Vietnam, under the Vietnam Banks Association, there is a demand for preventing and combating cybercrime as banks and financial firms undergo digital transformation and introduce new services utilizing banking and financial technology. Companies are willing to invest in biometric technology to ensure that these services are accessed by authorized individuals. Vulnerability scanning and collaboration with various cybersecurity firms are commonly employed to prevent high-tech crimes. The new Mastercard Payments Index 2022 reports that over three-quarters of Vietnamese consumers use biometric authentication technology for identity verification (78%) and payments (76%), surpassing the use of PINs, passwords, and other authentication methods.

The latest legal framework which conveys substance to consumers' data and privacy protection in Vietnam is the Data Protection Decree 13 released in first part of 2023. Biometric technologies may be able to leverage on the current framework and provide compliant and effective solutions for relevant businesses.

Personalized experience services

The rapid evolution of customer preferences and demand for new, faster, and improved experiences has driven the widespread adoption of personalized experiences. Banks are increasingly utilizing analytics and data to personalize each touchpoint in the customer journey. According to Advertising Vietnam, perfecting hyper-personalization of services is a trend that Fintech businesses must prioritize.

A recent study indicates that 66% of customers expect companies to understand their unique needs and desires.

Credit Scoring

The convenience and simplicity of digital lending have made it increasingly popular among consumers. However, Fintech companies require information and data to facilitate efficient and secure loan transactions. To accurately evaluate customers, credit scores and credit scoring companies have been established to fill the gap of efficient, fast and reliable risk assessment within the digital space. The credit score determines a consumer's borrowing capacity and the amount of credit a bank may extend when a loan is requested. A credit score is essential for financial institutions to consider extending loans and providing credit cards to their customers.

Trusting Social is a forerunner in Alternative Credit Scoring where they construct a database of credit ratings by using big data and artificial intelligence technology, thereby aiding banking institutions in the critical decision-making process of evaluating clients.

Home Credit Vietnam uses advanced predictive models, including machine learning techniques, to assess and manage risks. These models help create accurate risk assessment scorecards. The company also employs sophisticated anti-fraud measures, such as biometrics and an early warning system, to ensure ethical risk management.

Cross-border ecommerce and Cross-border payments

Within the mainstream of economic integration coupled with the advancement of the digital transformation, Vietnam has significant opportunities to gain experience its cross-border e-Commerce. With nearly 10 million products sold globally, Amazon shelves have become a driving force for many Vietnamese businesses. The number of Vietnamese sellers on the site has increased by 80% against the same period from 2021. From 2021 to 2026, cross-border B2C e-Commerce in Vietnam is projected to grow at a 20% annual rate, according to Amazon Global Selling Vietnam.

The growth of cross-border e-Commerce has brought the need for versatile and efficient payment. Therefore, digital payments can use this opportunity to bring practical solutions to consumers. In addition, supplying a buy now, pay later service is also a potential move for businesses and foreign participants who supply payment and lending services.

Funding and deal volume in Fintech - reality check.

While global Fintech funding in 2022 slid by 46% to US\$ 75.2 billion compared to 2021, it was still up 52% compared to 2020 and made up 18% of all funding globally, proving that investors continue to have confidence in Fintech's future.

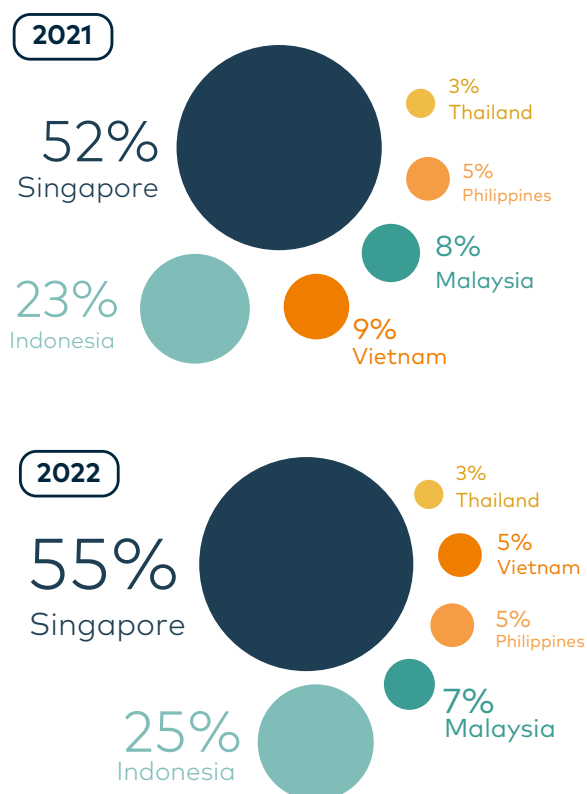
According to UOB, in 2022, Vietnam saw a reduction in their share of investments as the number of deals decreased compared with 2021.



Vlad Savkin

Managing Partner at Oriental Investments Advisors Ltd. an independent consulting firm specializing in advisory on conducting business in SEA region since 2017.

SHARE OF FUNDING DEALS IN SEA BY COUNTRY



Source: UOB



The funding of startups (particularly late stage) is difficult at the moment as there is more emphasis on sound business models and unit economics vs top line and/or user growth. However, from a mid-term and earlier stage perspective, the regional and Vietnamese Fintech market is attractive as many segments are not saturated yet.

According to Vlad Savkin, many Fintech firms lack scalability. 99% of the time ambitions and capabilities of local startups/Fintech companies do not go beyond country borders.

However, from a long-term investor perspective, Binh Tran from Ascend Vietnam Ventures believes Vietnam will continue to breed fintech unicorns with regional and global competencies.

The goal for Vietnamese Fintech is to either solve Fintech issues specific to emerging Asian markets or to penetrate developed markets like the USA. Companies like Trusting Social and Anduin Transactions have already demonstrated this dual-approach capability.

Recently, several Vietnamese entrepreneurs have continued to raise money effectively in the middle of the 2022/23 global monetary crisis, closing a total of nine deals, including Finhay (US\$ 25 million), Timo (US\$ 20 million), and VUIAPP (US\$ 6.4 million). The statistical data illustrates the optimistic attitude of investors towards the potential for Fintech development in Vietnam.

Following the trend of Gamefi across blockchain community, in 2022, Sky Mavis which is a blockchain game publisher with the most famous game, Axie Infinity, received US\$ 150 million in the Series C round in April 2022.

Moreover, Fundiin, the leading Buy Now Pay Later (BNPL) Fintech company in Vietnam, successfully raised US\$ 5 million in a Series A funding round co-led by Trihill Capital and ThinkZone Ventures.

MoMo purchased a 49% share in the domestic securities firm Tin Viet Securities (CVS) in mid-2022. The payment giant also purchased Nhanh.vn, a company that provides sales channel management solutions on a cloud-based system.



Thue Quist Thomassen

CEO of Decision Lab,

The leading market research agency for Vietnam.



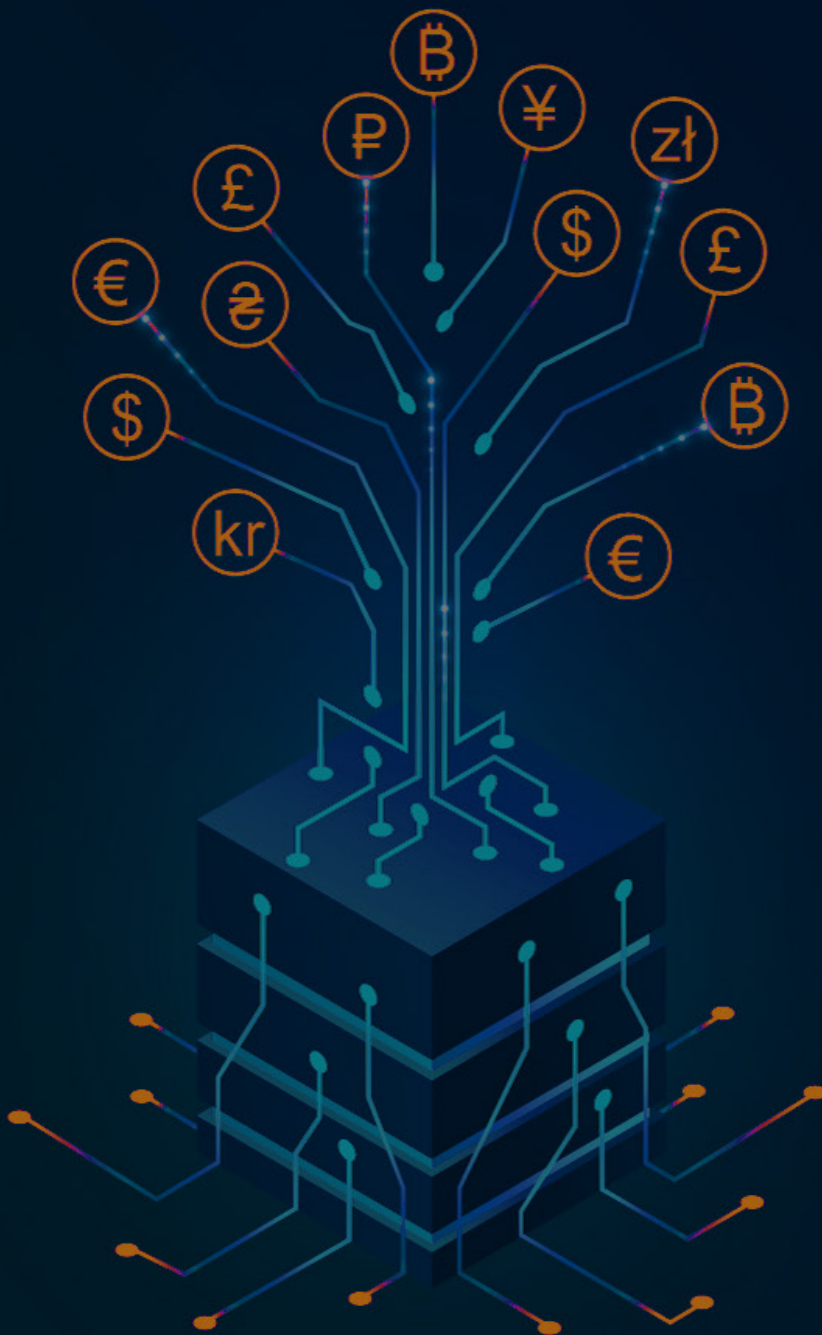
In the Vietnamese Fintech market we can see that the lines are blurring between financial categories. The competition now is based on the financial needs, not on the type of the financial institution. Consumers will explore different financial providers, whether it's a bank, a digital wallet or a consumer financing platform, to find the best solution for themselves.

In the future we will see financial products that cross over categories: BNPL by traditional banks, trading platforms by digital wallets, short-term loans by digital banks...The key is to focus on your strengths as a brand and use a customer-centric approach to design the offerings that will drive customers to trust you with the bulk of their financial needs.

Fintech applications have revolutionized traditional industries by introducing new business models, providing customers with a diverse range of financial services. However, the absence of clear regulatory frameworks in Vietnam has hindered the growth potential of several investors. Thus, it is imperative to develop the Vietnamese regulatory and digital infrastructure to foster the emergence of robust participants in the vibrant Fintech sector.

Core Categories

The Dynamics of Vietnam's Fintech Market.



Vietnam is distinguished in Southeast Asia for its utilization of advanced Fintech technologies as an emerging market. The country's considerable population of young and technologically adept individuals has driven the demand for expedient payment methods, financing solutions, and novel investment channels. This has catalyzed the expansion of digital payments, alternative financing, and blockchain/cryptocurrency.

Digital payments spearhead industry growth.

Vietnam is experiencing significant growth in digital payments as consumers rapidly adopt numerous methods, including online card payments, contactless cards, and mobile contactless payments for online shopping, bill payments, and supermarket purchases.

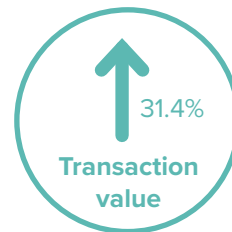
According to recent statistics from the Vietnam Bank Association, the volume of cashless transactions increased by 50.1% year-on-year in the first two months of 2023, with internet-based transactions increasing by 90.21% and POS transactions increasing by 36.7% in volume.

Additionally, the State Bank of Vietnam (SBV) reported that after one year from the implementation of Mobile Money services in Vietnam, 3.71 million mobile money accounts have been opened, with 30% in remote areas and islands. Mobile Money is a service that uses telecommunications accounts to pay for goods and services, promoting cashless payments, especially in rural areas.



The number of Mobile Money users in Vietnam has tripled since April 2022, with over 2.7 million users located in rural, mountainous, and remote areas, representing 69% of the total user base.

The service was licensed by the State Bank to be piloted nationwide for a period of two years, from November 18, 2021 to November 18, 2023.



In 2022, digital payment volume increased by 85.6%, while transaction value increased by 31.4% compared to the previous year.

Furthermore, the transaction value of digital payments in Vietnam has surged from US\$ 5.5 billion in 2017 to US\$ 20.5 billion in 2022.

THE TRANSACTION VALUE OF DIGITAL PAYMENTS FROM 2017 TO 2022

Year	Transaction value (US billion)
2017	5.5
2018	7.41
2019	9.74
2020	12.82
2021	17.36
2022	20.54

Source: Statista

Within the digital payments segment, the Digital commerce, Mobile POS payment, and Digital remittance pillars show a solid growth momentum, with an overwhelming dominance of digital commerce (comprising credit cards, direct debit, invoice, and online payment providers).

TRANSACTION VALUE OF EACH DIGITAL PAYMENTS SEGMENT IN VIETNAM IN 2022

Digital Payments Sub-segments	Transaction value (US\$ Billion)
Digital commerce	18.06
POS Mobile Payment	2.52
Digital Remittance	0.04

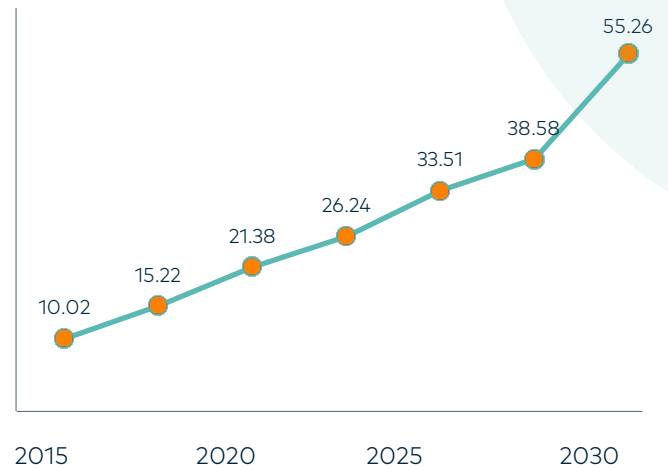
Source: Statista

With a transaction value of US\$ 18.06 billion in 2022, digital commerce in Vietnam has emerged as a significant sub-segment within digital payments and presents substantial potential for growth. Mobile POS Payments occupies the second position within the digital payments segment with a value of US\$ 42.52 billion. The transaction value is projected to increase at an annual rate of 14.37% (CAGR 2023-2027), amounting to US\$ 5.11 billion by 2027. According to Statista, the number of users in the **Mobile POS Payments segment** is expected to reach 35 million by 2027. To meet the demand for non-cash payments, Vietnam has made considerable advancements in its payment infrastructure, with over 375,000 POS terminals nationwide in 2022, up from 278,000 in 2019. Additionally, more than 100,000 locations accept QR Codes to facilitate online payments (global data).



There remains considerable potential for expansion in **digital remittance** as the government eases restrictions on domestic and international money transfers. The transaction value of Digital Remittance has exhibited consistent growth from 2017 to 2022. In 2022, the total transaction value reached US\$ 38.58 million, representing an increase of more than threefold compared to 2017 figures.

TRANSACTION VALUE OF DIGITAL REMITTANCES IN VIETNAM (US\$ BILLION)



Source: Statista

E-wallets. Intense competition advances digital payment ecosystem.

E-wallets in Vietnam have experienced widespread growth, utilized for the payment of goods and services at supermarkets, convenience stores, and e-Commerce websites.

Some popular e-Commerce websites and applications using e-wallets:

🕒 E-Commerce websites and applications

Shopee.vn
 Lazada.vn
 tiki.vn

Grab
 Shopee Food
 Shopify

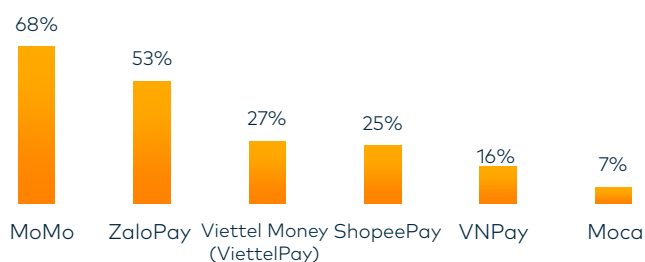
The pandemic served as a catalyst for the broad consumer adoption of e-wallets. According to the survey data from the Ministry of Industry and Trade on e-Commerce in 2020-2021, the trend of users switching to card/e-wallet payment forms has increased markedly, with the percentage of using e-wallets for payment also increased rapidly from 23% to 37%.

E-wallet providers are sustaining their growth trajectory and competitive position by offering users incentives such as frequent promotions, discounts, and points accumulation.

According to Decision Lab, the top two most widely used e-wallet applications are MoMo and Zalopay.

Large e-wallets often form partnerships with e-Commerce applications and food delivery apps to increase market share and derive particular benefits during the pandemic period when traditional methods of payment and purchase were restricted.

TOP E-WALLETS PENETRATION RATES IN QUARTER 4 OF 2022 IN VIETNAM

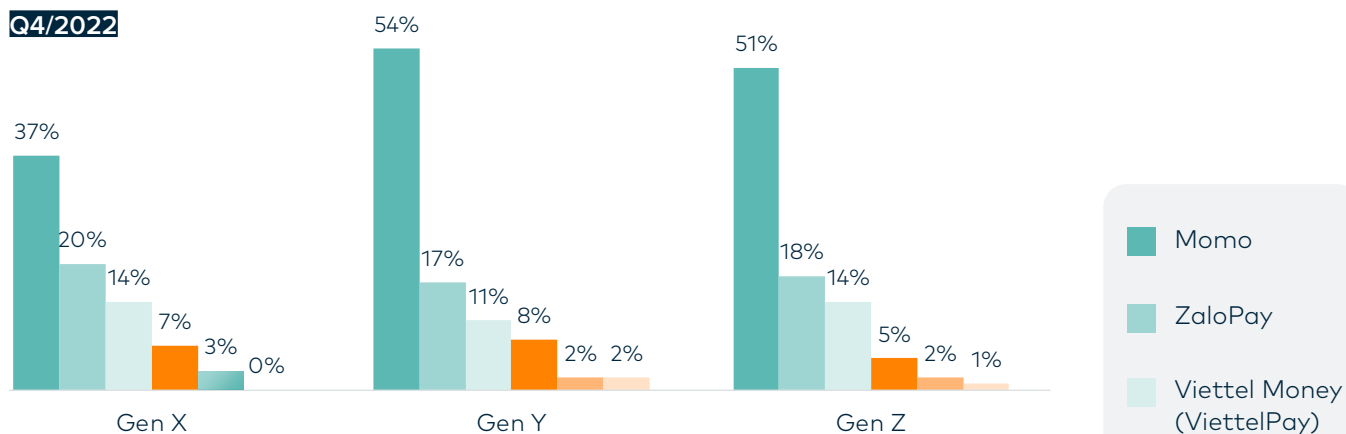


Source: Decision Lab, The Connected Consumer Q1 2023

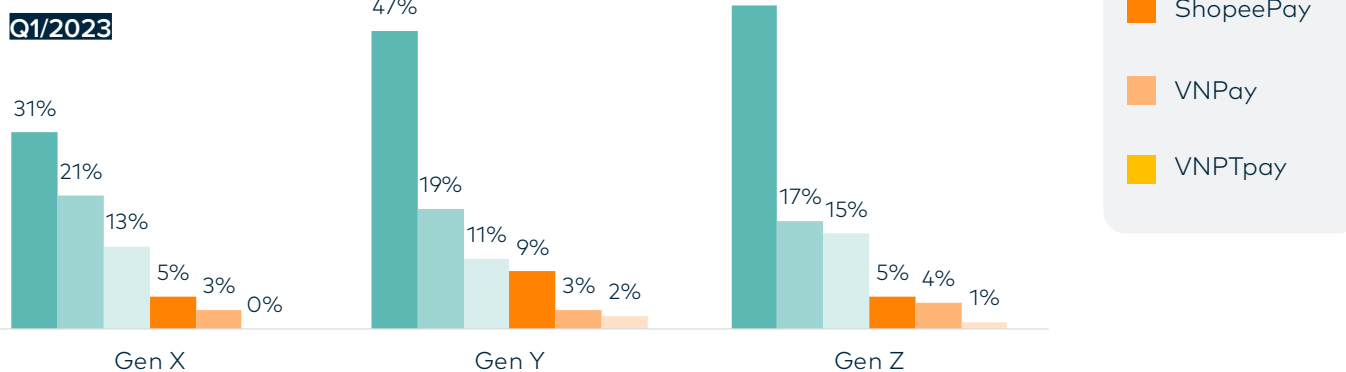
ZaloPay is an e-wallet application that is closely associated with one of the most extensive messaging services and social networks in Vietnam, Zalo. Given that the majority of Zalo users are from Generation X and Y, with 60% of Gen X customers and 59% of Gen Y customers (Decision Lab), ZaloPay is well-positioned to narrow the gap in user numbers compared to MoMo within these two customer segments.

E-WALLETS MARKET SHARE BY USER AGE GROUP IN VIETNAM IN Q4/2022 AND Q1/2023

Q4/2022



Q1/2023



Source: Decision Lab, The Connected Consumer Q1 2023

Alternative Finance: potential for expansion in the nascent stages of development.

According to the Ministry of Finance of Vietnam, alternative finance refers to financial channels, processes, and instruments that have emerged and evolved outside of the traditional financial system (banks, capital markets).

Vietnam is in the nascent stages of alternative finance development and lags behind many countries such as Indonesia, Thailand, and Singapore. Peer-to-peer lending and crowdfunding are the most prevalent forms of alternative finance and have had a notable impact on the domestic financial system.

Peer-to-peer lending.

According to the State Bank of Vietnam, peer-to-peer lending is a digital technology platform that facilitates direct connections between borrowers and lenders (investors) without the need for financial institutions. As a result, all borrowing and repayment operations (principal and interest) take place on the operating company's online transaction platform. Transactions are recorded digitally, processed on the database, and presented to consumers who have enrolled to access the platform.

According to preliminary data from the State Bank of Vietnam, there are currently approximately 100 P2P lending companies in Vietnam (including those that have officially launched and those in the testing phase), such as Tima, Trust Circle, Borrowed, Lendmo, Wecash, and InterLoan. However, the actual number of firms operating in P2P lending may be higher and cannot be accurately assessed because management agencies still need to organize official data on information related to enterprises engaged in peer-to-peer lending activities in Vietnam.



Most of the platforms focus on the consumer loan segment. In addition, business households and small and medium enterprises are also targeted as potential customer segments.

TRADITIONAL P2P LENDING COMPANIES OPERATING IN VIETNAM

Platform	Target customer	Total investment (US\$)
Fiin	Consumer loan	700.000
ELOAN	Business household, SMEs	1.000.000
VAYMUON	Consumer loan, Business household, SMEs	1.000.000
VNVON	Consumer loan	10.000.000
HUYDONG		500.000
MOFIN		1.000.000

Source: State Bank of Vietnam



SME lending gains traction.

Access to financing through traditional banks remains challenging for SMEs in Vietnam due to their inability to fully meet stringent credit application requirements. To address this financial shortfall, SMEs require an alternative source of capital, thus paving the way for a major Fintech business opportunity for investors in Vietnam.

Validus Vietnam, a leading Singapore Fintech firm that provides financing for SMEs, expanded its operations in Vietnam with support from the International Finance Corporation (IFC). Validus also collaborated with TTC Group and Do Ventures to expand its service coverage and offer a comprehensive financial support solution for enterprises in the global supply chain. The three organizations have introduced eBIZ, a super-fast loan platform which enables borrowers to obtain unsecured financing within 48 hours with a VND 500 million limit per enterprise and a loan period of 12 months.

According to Fintech news, Singapore-based Funding Societies is establishing an extensive physical network with 150,000 agents and retail outlets to provide US\$ 2 billion in unsecured loans to potential SMEs, leveraging a significant US\$ 22.5 million funding round from VNG Corporation.

Sumitomo Mitsui Banking Corporation (SMBC), a Japanese financial institution, invested 1.3 billion Yen (approximately US\$ 10 million) in SmartNet JSC Vietnam to develop the SmartPay app, which offers buy-now and post-paid solutions for micro and small businesses to approximately 667,000 retailers across 63 provinces and cities in Vietnam.

The rise of consumer lending finance.

According to the BIDV Research and Training Institute, with Vietnam's economy expanding at relatively high growth rates (6.5 to 7% in the years 2021-2030) and rising income per capita (approximately 6% per year by 2030), there is significant potential for the expansion of the consumer lending industry.

Major participants in this Fintech segment such as Home Credit and FE Credit can leverage their brand positioning and market experience to further develop their product offerings and solidify their market share.



Annica Witschard
CEO of Home Credit Vietnam

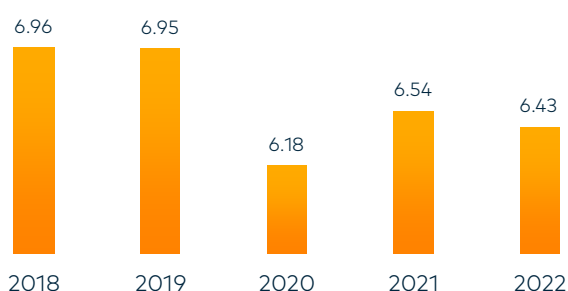


Leveraging our comprehensive financing app, robust automated scoring system and extensive partnership network, Home Credit enables customers to access loans quickly and easily within minutes, anytime, anywhere. Our new Home app gained more than 2,000,000 customers only after a few months of launch.

Consumer finance products in Vietnam currently encompass several segments, including bank consumer loans, loans from financial institutions, credit card loans, Buy Now Pay Later (BNPL) loans (Fintech model), and the pawnshop business. The transaction value of consumer lending declined since the onset of the COVID-19 pandemic.

However, with the rapid growth of digital payments and e-Commerce or e-business, the total transaction value of this segment is projected to increase.

CONSUMER LENDING TRANSACTION VALUE IN 2022 (US\$ MILLION)



Source: Statista

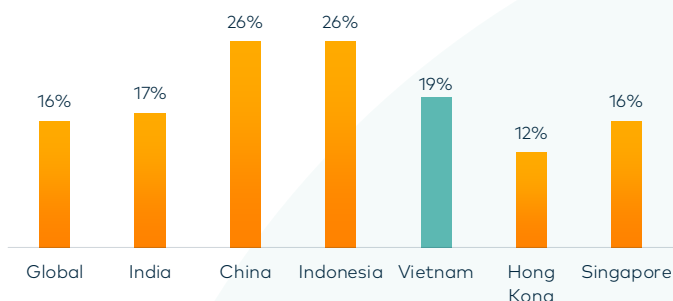
Financial institutions and banks are driving the growth of consumer lending by partnering with Fintech firms to offer alternative solutions such as Buy Now Pay Later.

With the emergence of digital wallets and BNPL platforms like Kredivo, competition in the short-term financing sector is intensifying.

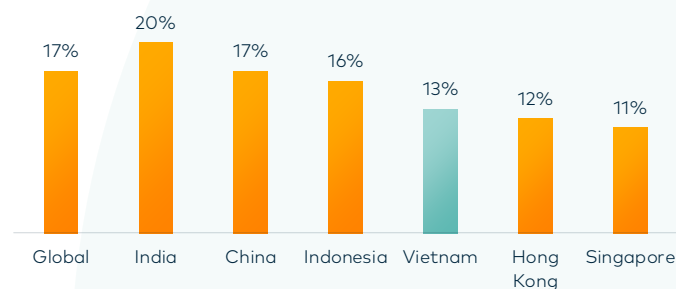
Buy Now Pay Later (BNPL) usage penetration in Vietnam.

Although short-term borrowing in Vietnam has yet to reach the global average, BNPL usage penetration is currently among the highest in the APAC region, trailing only China and Indonesia. This is one of the many examples showing how Fintech products such as BNPL acquire market share from the traditional financial ecosystem by leveraging on user benefits, utility and convenience.

BNPL ACTIVITIES IN 2022 IN VIETNAM



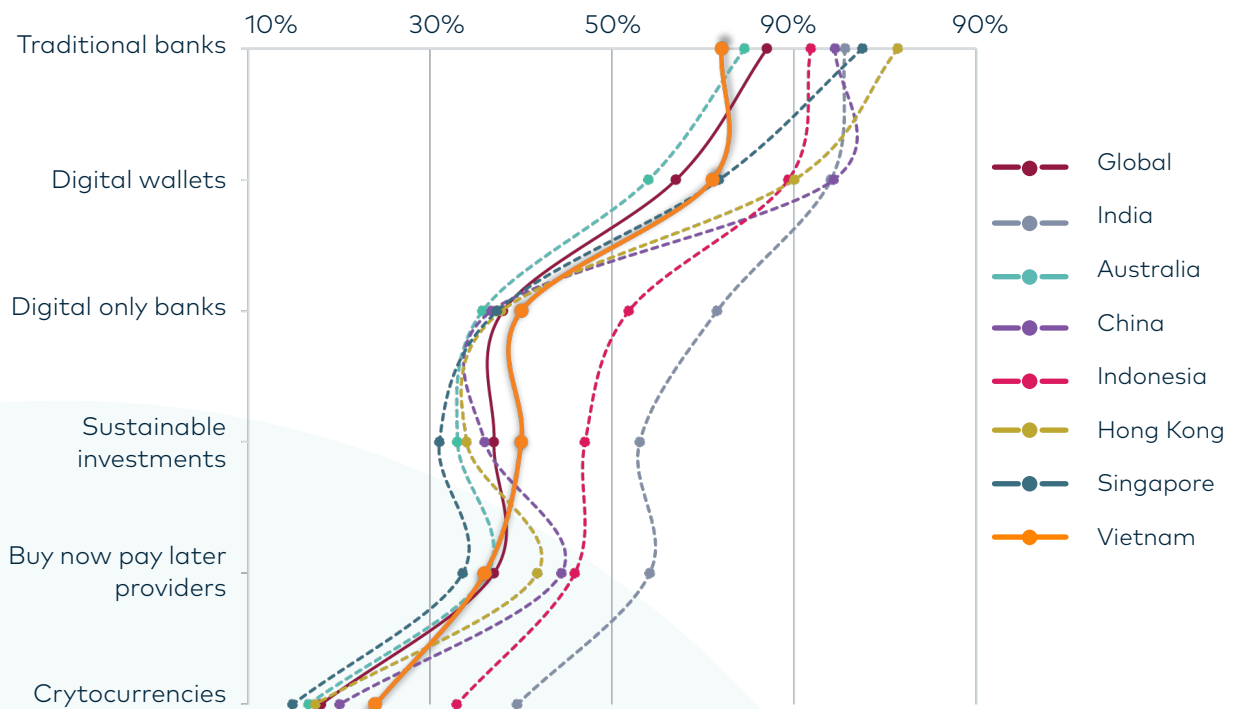
SHORT-TERM BORROWING ACTIVITIES IN 2022 IN VIETNAM



Source: Decision Lab, Financial Trends Report 2023; YouGov, Global Finance Whitepaper 2023

Compared to other Asian economies, trust in financial services among Vietnamese consumers is relatively low. In contrast, India and Indonesia have demonstrated high levels of confidence in innovative financial services such as digital wallets, digital-only banks, and Buy Now Pay Later (BNPL) enterprises.

TRUST IN FINANCIAL SERVICES – VIETNAM VS OTHER COUNTRIES



Source: Decision Lab, Financial Trends Report 2022; YouGov, Global Finance Whitepaper 2022

Therefore, the public sector and Fintech organizations alike should develop clear and efficient financial education programs to ensure the Vietnamese gains trust and understands the advantages of the financial technology ecosystem.

Based on the Financial Trends Report Survey 2023, conducted by Decision Lab, well-established brands are preferred when it comes to choosing a financial institution to open a savings or time deposit account.

TOP 5 FACTORS CONSIDERED WHEN CHOOSING AN INSTITUTION TO OPEN A SAVINGS/TIME DEPOSIT ACCOUNT



72%
trustworthy,
established brand



56%
interest rates



54%
quick process to
withdraw funds



47%
cyber security



39%
online access
to savings/time
deposit accounts

Source: Decision Lab, Financial Trends Report 2023



The financial literacy in Vietnam is still fairly low, so fintech players that can provide clarity and transparency in their products, especially in the investment and consumer financing categories, are bound to win the consumers' trust and their loyalty in the long run. People are willing to accept the risk of a financial product if they understand all aspects of it.



Tran Minh Hoang
Consulting Manager,
Decision Lab

Bank consumer loans.

The State Bank of Vietnam projects that by the end of 2022, consumer credit from the commercial banking system will have exceeded US\$ 85.3 billion, representing more than 20% of the economy's total credit balance. Commercial banks hold a significant market share in consumer loans, accounting for approximately 80% of total loans.

Financial institutions loans

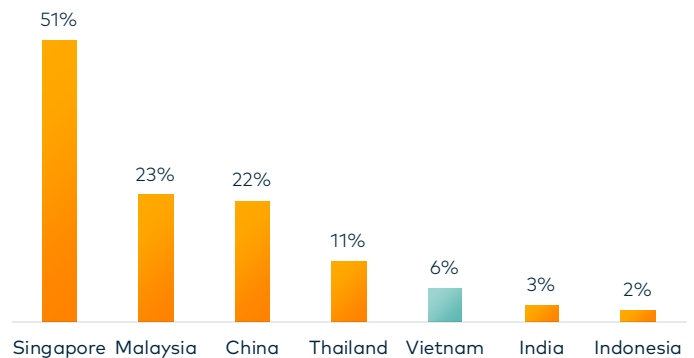
As of the end of 2022, the consumer loans provided by consumer finance companies are estimated to reach around US\$ 8.1 billion, making up nearly 8% of the total consumer loans within the system, reports Vietdata.

The Vietnamese consumer finance sector currently comprises 16 licensed businesses, including well-known names such as FE Credit, HD Saison, and Home Credit.

Credit card loans

According to Banking Review, the COVID-19 pandemic has prompted individuals to gradually shift away from using cash for purchases and other transactions in favor of credit cards including domestic credit cards, international credit cards with more flexibility and convenience, and are primarily designed for the Vietnamese market. However, credit card penetration in Vietnam is low.

CREDIT CARD PENETRATION IN THE ASIA-PACIFIC REGION IN 2022, BY COUNTRY.



Source: Statista

Vietnam ranks 11th among APAC countries in credit card penetration, with a rate of only 6%, compared to 11% in Thailand and 23% in Malaysia. Credit card usage is still a relatively new concept in Vietnam, and banks are promoting its use by offering value-added benefits such as installment payments, reward programs, cashback, and discounts.

According to recent data from the Payment Department of the State Bank of Vietnam (SBV), the number of domestic credit cards in circulation in Vietnam at the end of the second quarter of 2022 was approximately 543,000, representing only 7% of the number of international credit cards and 0.5% of the total number of cards in the market (estimated at 110-120 million cards).

A young and rapidly growing middle-class population has created a favorable environment for credit card growth, particularly in urban areas. Financial institutions should incorporate this customer segment into their business strategies to capture the increasing customer value of Vietnam's future generation.

Buy Now Pay Later (BNPL) loans

Businesses that provide BNPL payment services fall into two categories: (1) those where BNPL is produced as a payment option and (2) where BNPL is the main product/service.

The majority of BNPL business models are often established as separate entities within the broader business networks of established banking institutions or large alternative finance organizations.

For example, Home Credit, GRAB Finance Vietnam (GFG), and Lotte Finance Vietnam have launched the Home Pay Later, Grab Pay Later, and Way4 payment services, respectively.

Ree-Pay, Fundiin, Kredivo, LitNow, Movi, and Atome are just a few examples of the startups and digital payment companies in Vietnam which have joined the BNPL Fintech segment.

The pawnshop proposition.

There has been a recent trend towards modernizing and professionalizing the pawn industry with the emergence of pawn chains that operate in an ethical and transparent manner. Two pawn chains that have captured a significant market share in the Vietnamese pawn market are F88 and VietMoney.

According to VnEconomy, as of January 2023, F88 has more than 830 transaction offices, a 2.7-fold increase from January 2021. The company's average growth rate of outstanding loans and revenue has reached nearly **200% per year** for three consecutive years.

F88 is a financial service provider of super-quick lending services. The company attracted significant capital funding from prestigious investment funds such as Mekong Capital and Granite Oak and it is present in 63 cities and provinces across Vietnam.

In 2019, prior to the COVID-19 pandemic, two investment funds, Probus Opportunities (Luxembourg) and Digi Ventures, invested in the VietMoney chain of pawnshops. The network is currently active throughout the southern provinces of Vietnam. Despite the challenges faced by many firms in the market, the VietMoney Pawn Chain also reported similar sales growth of more than 200%.



In Vietnam, Fintech represents a growth opportunity across many of the discussed segments of this high-potential industry niche. However, to succeed in the Vietnamese market and generate long-term value, new entrants should carefully evaluate market structures, regulatory frameworks, monetization strategies, and opportunities for innovation before introducing their own offerings and business models.



Vlad Savin

*Head of Business Development,
Acclime Vietnam*

6

Deep Synergies

Fintech and the Transformation of the Vietnamese Banking Industry.



Fintech is rapidly transforming the financial sector landscape and blurring the boundaries between financial firms and traditional banking sector.

At the beginning of 2022, Vietnam was the only ASEAN-6 member without a regulatory sandbox, and one of the few that lacks formal Fintech standards and legal frameworks, according to UOB.

The growth of Fintech has brought with it the emergence of significant issues affecting consumers. In response, government agencies and key stakeholders from major organizations, such as the State Bank of Vietnam, are working to enhance the legal and regulatory framework in this area.

The State Bank of Vietnam. Key regulatory stakeholder.

According to the State Bank of Vietnam, the country's Fintech sector is in its early stages and relatively small, making it particularly attractive for investment due to the potential for significant growth and engagement. This applies to major players, investors, and newcomers alike.

On September 6, 2021, the Government approved a proposal to create a Decree on Controlled Trial Mechanism for Fintech operations in the banking sector (Resolution 100/NQ-CP). The State Bank of Vietnam (SBV) states that the Decree is based on various guiding principles, including adherence to the Party and Government's directives on promoting innovation and the application of 4.0 technology in innovative start-up business models. The primary focus of the expected Decree will be on supporting creative ideas while ensuring risk management, consumer protection, and financial stability.

In early 2023, The State Bank of Vietnam organized with the International Monetary Fund's (IMF) Office a regional training course on "Central Bank Digital Currency (CBDC) and Cross-Border Payments". The focus on Central Bank Digital Currency subject matter and cross-border payments is intended to show depth of understanding into the digital payment systems in general.

Major banks follow Fintech trends.

The State Bank of Vietnam reports that since 2016, the number of Fintech companies operating in various industries, including payment, money transfer, lending, and personal finance, has quadrupled.

While 72% of Fintech companies have partnered with banks, only 14% are developing new services, and 14% are preparing to compete with banks.

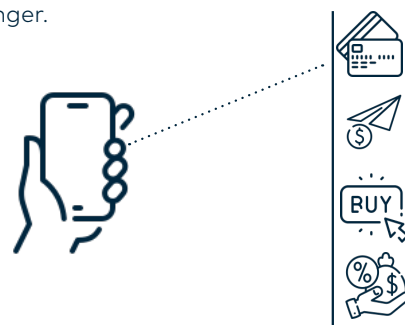
Several major banks have formed collaborations with Fintech companies. For example, VietinBank is working with seven Fintech startups across various industries, and Vietcombank has partnered with the Online Mobile Joint Stock Company (M Service) to provide small-value money transfer services in rural areas. Most Vietnamese commercial banks have also partnered with MoMo wallet to create e-wallets.

According to the Ministry of Finance, nearly all Vietnamese banks are introducing e-wallets. BIDV, a prominent participant in the banking system, has partnered with 24 Fintech companies and 756 service providers to offer its customers access to more than 1,500 financial services.

In 2022, Techcombank added 1.2 million subscribers thanks to its use of cloud computing and its E-Banking products (which are powered by AWS).

The use of digital banking increased by 30% annually between 2019 and 2022.

Moreover, thanks to a partnership between Military Bank and Boomerang Technology, users can check their bank balances, send money, buy insurance, and apply for loans on Facebook Messenger.



According to SBV, there are multiple banks with over 90% of their customers' transactions being performed using digital channels.

Based on the latest data from World Bank, only 56% of adults (from 15 years of age) in Vietnam had a bank account in 2022.

Neo-Banks poised for growth in Vietnam.

Digital banks have strong growth potential in Southeast Asia and Vietnam in particular, where consumer awareness and interest are high. In Vietnam, 77% of the population are aware of digital banking, and 87% of consumers are interested in digital bank services.

Although there is no specific regulation for neo-banking in Vietnam, neo-banking solutions have become increasingly popular in recent years. According to Fintech News, **Cake**, a digital banking brand launched in 2021 as a collaboration between ride-hailing firm Be Group and Vietnam Prosperity Joint-Stock Commercial Bank, has become one of the country's fastest-growing neo-banking offerings, with over 2 million customers in just 20 months of operation.

Cake offers a range of online banking products and services, including savings and checking accounts, money transfers, investments, and personal loans.



In 2019, London-based Fintech startup Revolut expanded to Singapore after a lengthy market research and testing period. Singapore residents could access Revolut's core features, such as opening accounts from their phones, receiving a card, and spending anywhere in the world (Tech Crunch).



To enable long term success in the Fintech space in Vietnam, investors should look at the potential future value and user base/scalability metrics and ensure they are in a strong correlation with the market reality and a solid revenue generation model.



Vlad Savin

*Head of Business Development,
Acclime Vietnam*

Following a regulatory filing, the Schroders Capital Global Innovation Trust reduced the internal value of its Revolut shares from £10.1 million to £5.4 million in 2021. This decrease suggests an estimated value of US\$ 17.7 billion for Revolut, down from the US\$ 33 billion valuation following its latest fundraising round, representing a significant drop for a prominent Fintech startup (Financefeeds).



Tapping the unbanked population of Vietnam.

According to a report released by the World Bank in 2017, nearly 70% of adults in Vietnam were unbanked. However, the Covid-19 pandemic reshaped the finance landscape and many people relied on digital payments to have groceries and purchases delivered to their homes.

In 2017, only 15% of the population made a digital online payment for an online purchase. However, after five years, the rate increased to 48%, thanks to the strong catalyst of the pandemic.

As a result, as of 2022, the unbanked population has dropped significantly and now stands at 44%, based on data from World Bank.

Based on these favorable market circumstances, Vietnam's Fintech has witnessed rapid growth in terms of volume and value. This growth is mainly supported by the government's efforts to move towards a cashless society by 2025 and the available potential for the growing digital population.



Financial literacy has been a key focus for Home Credit as a key pillar of financial inclusion. We believe that when consumers understand the basics of personal finance management, they can effectively manage their budgets, make responsible choices regarding financial credit, and protect themselves from fraud.



Annica Witschard
CEO of Home Credit Vietnam

The mutually beneficial relationship between banks and Fintech companies is undeniable, as their goal is to create a competitive environment in which they can develop and provide the best financial services to customers. However, practical actions from the Vietnamese authorities play a crucial role in driving the development of the banking and Fintech sectors by providing direction for organizations and assurance for investors within the business environment.

7

The Green Movement **Fintech's Role in** **Advancing Sustainable** **Development in** **Vietnam.**



In recent years, the Fintech market has been characterized by a new wave of Fintech products with environmentally conscious objectives, commonly referred to as **"Green Fintech."** This term refers to technology-enabled innovations applied to financial operations and products that intentionally support Sustainable Development Goals. According to the Green Fintech Classification Report, there are several types of Green Fintech, including green digital payment, green digital investment solutions, digital green analytics, green crowdfunding, green risk analysis, green digital lending, green digital asset solutions, and green regtech.

This chapter provides a practical perspective on the Green Fintech landscape in Vietnam and offers initiatives for investors seeking to become pioneers in this field.

Where does Vietnam stand on the global Green Fintech landscape?

In Asia, Singapore, South Korea, Australia, and Hong Kong have reached mature levels of Green Fintech development. According to the Global Green Finance Index 11 (GGFI 11), Singapore has surpassed Sydney and Seoul to lead the region and ranks 11th overall. The Green Fintech ecosystem in Singapore is well-established, with prominent players such as CO2 Connect, MetaVerse Green Exchange, STACS, and others.

The Monetary Authority of Singapore (MAS) has implemented various projects and initiatives, such as Project Greenprint, the Singapore Green Bond Framework, ESGenome, and the Green Finance Industry Taskforce, to actively promote the use of Green Fintech. These projects contribute to the encouragement of green solutions and the advancement of green finance in Singapore. Indonesia and Thailand are also making progress in promoting Green Fintech and sustainable finance. These countries have launched green bond markets and established incentives for sustainable investments. Their governments are also partnering with Fintech companies to develop innovative solutions that promote sustainable finance.

TOP 15 CENTRES - RATING DETAILS FOR DEPTH AND QUALITY DIMENSIONS, AS OF APRIL 2023

GGFI 11 Rank	Centre	GGFI Dimensions			
		Green Finance Rank	Depth Rating	Green Finance Rank	Quality Rating
1	London	2	316	1	326
2	New York	1	319	2	322
3	Stockholm	3	314	6	307
4	Geneva	8	307	3	313
5	Luxembourg	4	312	14	304
6	Amsterdam	12	305	4	310
7	Los Angeles	8	307	6	307
8	Copenhagen	14	304	5	309
9	Washington DC	8	307	10	305
10	San Francisco	6	308	17	303
11	Singapore	5	309	20	301
12	Zurich	15	303	8	306
13	Sydney	12	305	17	303
14	Edinburgh	17	302	10	305
15	Seoul	6	308	23	308

Source: GGFI 11

* GGFI 11 was compiled using 150 instrumental factors. These quantitative measures are provided by third parties including the World Bank, The Economist Intelligence Unit, the OECD, and the United Nations.



Huy Pham

Senior lecturer in Finance at RMIT University Vietnam, CFO at GreenAnt, Founder of RMIT FinTech-Crypto Hub. He is among the very first academics bringing expert knowledge on fintech, crypto and blockchain to RMIT University.



The Green Fintech development is still in its infancy stage with some government initiatives underway. The Vietnamese government has shown interest in Green Fintech and is taking steps to promote sustainable development.

According to Mr. Huy, Vietnam has made several commitments to reduce its environmental footprint, including its pledge at COP26 to achieve net-zero carbon emissions by 2050. Government support is crucial in facilitating the development of Green Fintech. For example, the State Bank of Vietnam is expected to soon issue guidelines for financial institutions to promote green finance. The SBV Governor has also issued a directive requesting relevant entities to establish a legal framework for green credit development and an action plan for the banking sector to implement the National Strategy on Green Credit.

Furthermore, there are increasing funding opportunities available to support sustainable Fintech initiatives in Vietnam, from venture capital firms to non-profit organizations. However, the development of Green Fintech will require time and effort from the government, startups, and financial institutions.

Untapped opportunities for Green Fintech in Vietnam.

Vietnam has made significant progress in expanding its capacity to generate renewable energy, with investors and developers taking initial steps towards **renewable energy** projects, primarily in wind and solar power. This paves the way for Green Fintech platforms to support finance, investment, and payment solutions in the renewable energy industry.

The agriculture sector in Vietnam has seen a growing emphasis on sustainable practices. Green Fintech solutions are emerging to address the financing needs of **sustainable farming**, connecting farmers with lenders, insurance providers, and buyers to promote sustainable supply chains and eco-friendly agricultural practices. **GreenAnt** is aiming to be a major participant in this field, offering a unique platform where farmers and agribusinesses can register their trees using geographical coordinates on the global voluntary carbon market. In return, they receive carbon credits, which are then tokenized.

Developing Vietnam's Green Fintech one step at a time.



Mario Edoardo Simmaco

Founder of GreentAnt. A fervent entrepreneur nurturing a passion for innovation and transformative ventures from a young age. Currently, he is working on two projects named GreenAnt and Eutopy.



Green Fintech in Vietnam has been growing remarkably recently but most of the tools currently offered on the market are still greatly based on unsustainable growth model and therefore they are only green by name and not by substance. A radical transformation is needed and Vietnam can be the leader of it.

GreenAnt is a European-based Fintech startup with a strong presence in the Southeast Asia region, including Thailand and Vietnam. The company bridges the gap between ecosystem services and finance by offering services for investing in climate change adaptation. GreenAnt tokenizes trees to make reforestation profitable for everyone globally.

BlockTree is a blockchain-based platform that connects planters and sponsors. It is the first in Asia to apply verification technology using NFTs to ensure trust, transparency, and trackability between sponsors and planters. BlockTree also provides a comprehensive toolkit, from collecting data at the planting site to optimizing resources and transmitting data directly to partners in real-time.

Key components in terms of sustainability and green in Fintech.



The tech solution

The government tends to favor the technologies that could both contribute to economic growth and help the country become greener.



Environmental impact

Fintech companies to reduce their environmental impact by implementing sustainable practices within their operations, such as using renewable energy sources, reducing paper usage, and implementing green transportation.



Ethical investments

Fintech companies can promote sustainability by offering ethical investment products such as green bonds, impact investing, sustainable funds or provide a platform for trading environmental commodities such as carbon credit.



Financial inclusion

By providing access to financial services to unbanked and underbanked populations, Fintech companies can help to drive economic growth and promote financial stability and resilience.



Transparency and accountability

Sustainability in Fintech also depends on transparent and accountable business practices. Fintech companies can promote this through transparent reporting on their sustainability, environmental, and social impact, and by adhering to ethical and responsible business practices.

Breaking barriers to adoption and scaling.

According to Mr. Huy Pham, one of the primary barriers to the development of Green Fintech is the lack of awareness among the public and businesses about the benefits of sustainable finance and green investments. Many people are still unfamiliar with the concept of green finance and may not understand the extent to which their financial decisions can impact the environment.

Regulation remains a significant obstacle, as there is still a limited regulatory framework governing sustainable finance. It is crucial to have specific regulations and guidelines that encourage the development and adoption of environmentally friendly Fintech solutions.

Without accurate and reliable data on environmental impacts and performance, it becomes challenging to assess the effectiveness and credibility of Green Fintech platforms. Access to data on clean energy, carbon emissions, and other environmental factors is often limited, making it difficult for Fintech companies to assess the environmental impact of their products in Vietnam.

In addition, limited access to finance and venture capital remains an issue for entrepreneurs, as Green Fintech projects often require significant investment for research, development, and implementation. Green Fintech requires collaboration among various stakeholders, including Fintech companies, financial institutions, government agencies, environmental organizations, and consumers.

Building strong partnerships and fostering collaboration is essential to build a more robust and sustainable Green Fintech ecosystem.

Essential steps towards a greener financial services sector.



One of the most effective ways to create a green operational model is to utilize renewable energy sources such as solar, wind, and hydro power to reduce carbon emissions and lower energy costs. Alternatively, businesses can offset their emissions by purchasing carbon credits.



Digitization can help reduce paper usage and promote a more sustainable business model.



Adopting sustainable supply chain management practices is another way for Fintech businesses to become more environmentally friendly. This can be achieved by working with suppliers who prioritize ESG practices, sustainability, and the use of green materials for products.



Promoting remote work can also help reduce carbon emissions from employee commutes, lower commercial real estate costs, and enhance sustainable business practices, provided that the workstation is set up properly.

ESG in Fintech.

ESG (Environment, Social, Governance) is expected to be the greatest driver of business change across industries in the coming years, as customers and shareholders increasingly pressure businesses to align their business models with ESG objectives. Fintech products and services focused on these areas can help deliver high-quality data and tools to support individuals and institutions in making informed decisions.

According to Tech.eu, the ESG Fintech space has seen a robust increase in capital funding on a global scale over the last three years, reaching around US\$ 4.0 billion in 2022, up 2x CAGR for 2020-2022. This indicates that global investors are beginning to recognize the important role that Fintech can play in addressing ESG challenges.

Greenwashing, where a company appears to be taking environmentally friendly actions but is not making significant progress towards sustainability, has become a hot topic in recent years. In the context of Green Fintech, this is a major concern that can undermine consumer trust in sustainable finance and green investments. In Vietnam, financial institutions are taking steps to address this issue by implementing measures to promote transparency and accountability in their Green Fintech initiatives.

One common approach used by financial institutions to address greenwashing is the adoption of international standards and certifications. For example, **some financial institutions in Vietnam have obtained green bond certifications from international organizations such as the Climate Bonds Initiative to demonstrate that the proceeds of their green bonds are being used for sustainable projects.**

Another approach is to increase transparency and disclosure of information about environmental and social impacts. Financial institutions are beginning to implement robust reporting frameworks that require comprehensive disclosure of environmental impact and sustainability metrics such as their carbon footprint or the percentage of their portfolio allocated to sustainable investments. This helps investors and customers make informed decisions and ensures that Green Fintech initiatives align with stated environmental objectives.

Several financial institutions are also partnering with third-party organizations, such as Viet Capital Bank and ResponsAbility, to verify the environmental or social impact of their products. For example, some banks in Vietnam have partnered with environmental organizations to develop green loan products and verify the environmental impact of their borrowers.

Creating synergy in Finance, Technology, and Sustainability.

The Green Fintech industry is constantly evolving, with new technologies continually redefining the sector's classification schemes. **Vietnam has the potential to become a trailblazer in sustainable finance and green investments in the region.** However, it is crucial to implement long-lasting green improvements in consumer and business behavior. Additionally, policy and regulatory advancements, technological innovation, growing environmental awareness, international collaboration, and capital availability are all necessary components for success.



As long-term investors, venture capitalists look for sustainable businesses that can endure for decades. This makes sustainability an essential element for both the start-up and the investor. A business model's long-term viability, the team's resilience, and the company's engagement with other stakeholders are key elements to assess a company's sustainability.



Binh Tran

Co-founder of Ascend Vietnam Ventures

This section of the report is prepared in partnership with Mr. Huy Pham from RMIT Vietnam and contains meaningful and practical notes from Mario Edoardo Simmaco from GreenAnt as well as Binh Tran from Ascend Vietnam Ventures.

8

A Balancing Act

**Fostering Innovation
while Ensuring Regulatory
Compliance.**



Fintech, or financial technology, refers to the use of innovative and modern technologies in the banking and finance sector to provide customers with transparent, efficient, and convenient financial services at a lower cost than traditional systems. As a result, Fintech is subject to strict regulation by the State Bank of Vietnam (SBV).

Infancy in legal system counterbalances innovation and growth potential.

In the past decade, Vietnam has experienced rapid growth in the adoption of Fintech and digital assets. However, its legal framework is still in its infancy.

Only a few Fintech segments are regulated, such as

- digital transactions,
- e-Commerce platforms, and
- digital payments (e.g., e-wallets, point of sale, or payment gateways).

Most Fintech segments are not recognized in Vietnam due to the lack of a legal framework, including:

- P2P lending,
- crowdfunding, and
- blockchain (including virtual currencies based on blockchain).

Despite this, some Fintech companies operate in Vietnam by registering as investment or management consultancy enterprises rather than financial institutions.

To address these structural issues, Vietnamese authorities introduced several initiatives to improve prevailing regulations and accommodate investors in Fintech.

1. Decision 328/2017 of the SBV establishing a Fintech steering committee for the purpose of researching Fintech activities, building, and developing legal framework for Fintech.

2. Decision 999/2019 of the Prime Minister approving the scheme for the development of a sharing economy to encourage innovation, application of digital technology and development of digital economy, and implement a trial mechanism for new policies (sandbox).
3. Decision 283/2020 which outlined a proposal for restructuring the services sector until 2020, with an orientation towards 2025.
4. Decision 316/2021 which allowed for the pilot implementation of using telecommunication accounts for payment of low-value commodities and services (Mobile-Money).

Additionally,

5. Resolution 100/NQ-CP enacted by the Vietnam Government on 6 September 2021, which approve the request for the development of a decree on regulatory sandbox for financial technology (Fintech) operations in the banking sector

Albeit Vietnam does not have a sandbox initiative as at June 2023, under Resolution 100/NQ-CP, the Prime Minister instructed relevant authorities to develop a testing framework for financial and banking services based on information technology platforms.

As a result, the SBV issued a draft decree on the trial mechanism for regulating financial technology activities in the banking sector (the “Draft Sandbox Decree”).

The Draft Sandbox Decree outlines the trial mechanism for regulating financial technology activities in the banking sector and lists certain Fintech segments in which non-banking and non-finance companies (Fintech Companies) may be permitted to participate in the trial mechanism.

These segments include granting credit on technology platforms, credit scoring, P2P lending, open application programming interface (open API), innovative technology application solutions (e.g., blockchain, Distributed Ledger Technology (DLT)), and other technology application to banking activities. However, pending the regulatory sandbox of the SBV, Fintech investors are not allowed to engage in unregulated segments unless they receive special pilot approval from the Prime Minister.

Key regulatory stakeholders.

The primary regulator of the financial and banking system in Vietnam is the **State Bank of Vietnam (SBV)**. Other important regulators include:

The Ministry of Finance

responsible for researching and proposing management policies and mechanisms related to digital assets and money, as well as issuing legal documents to guide robo-advisory activities.

The Ministry of Public Security

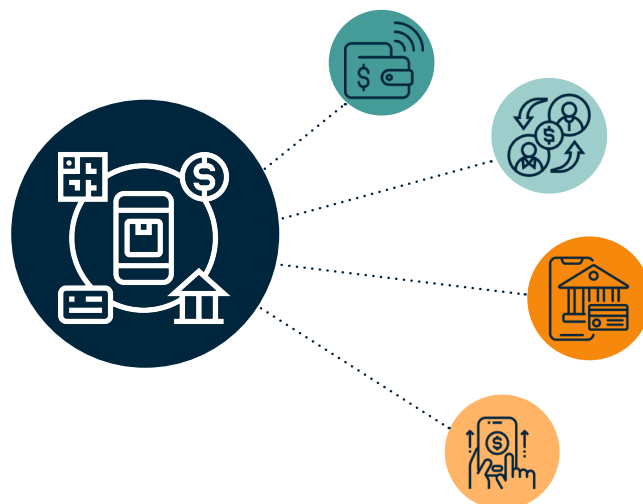
oversees data privacy and cybersecurity.

The Ministry of Information and Communications and the Ministry of Science and Technology

participate in researching and developing Fintech standards.

The Ministry of Industry and Trade

responsible for the notification or registration of websites, applications, and e-Commerce platforms



In order to provide Intermediary Payment Services (IPS) in Vietnam, providers must obtain a license from the State Bank of Vietnam (SBV) and meet certain technical, legal, and personnel requirements, including a minimum charter capital of 50 billion Vietnamese Dong. Only Vietnam-based IPS providers are permitted to offer these services, while offshore providers are not. Current IPS regulations do not specify any restrictions on foreign investment, including limitations on foreign ownership. Vietnam has not committed to opening this sector to foreign investors under international treaties such as the WTO and CPTPP.

Foundational legal framework for Fintech in Vietnam.

In Vietnam, Fintech companies received US\$ 410 million, or 36% of the total global capital invested into Southeast Asia's Fintech economies in 2022, only behind Singapore.

Below is a general analysis of selected prominent Fintech activities in Vietnam from a regulatory and licensing perspective, covering business conditions as well as licensing procedures:

- **Intermediary Payment Services**, including Electronic Payment Gateway Services and E-Wallet Services
- **Peer-to-Peer Lending (P2P Lending)**
- **Digital banking**



The Vietnamese authorities are responsible for determining any limitations or technical barriers for foreign investors wishing to engage in IPS. As a result, the establishment of a 100% foreign-owned IPS provider is subject to the discretion of the relevant authorities, particularly the SBV.



Thao Nguyen

Manager - Licensing, Market Entry and Corporate Services of Acclime Vietnam

Electronic Payment Gateway Services

Electronic Payment Gateway Services are services providing technical infrastructure to connect between the payment acceptance units (the Sellers) and banks (where the Purchasers have owned their payment account), to assist customers to make payments in e-Commerce transactions, electronic bill payments and other electronic payments. In Vietnam, some of the more popular electronic payment gateway service providers include: Vnpay, Payoo and others.

Electronic wallet service (e-Wallet service)

Pursuant to Decree 101/2012 of the Government, an E-wallet service is regulated where "a provider of payment intermediary services provides a client with a nominal electronic account on an information carrier (such as electronic chip, mobile phone sim, computer, etc.) that enables the client to store a sum of money in the form of deposit equivalent to the sum of money transferred from the customer's payment account at a bank to a secured payment account of the provider of digital wallet service with the ratio of 1:1."

E-wallets in Vietnam are growing widely and are used to pay for goods and services at supermarkets, convenience stores, e-Commerce websites (such as Shopee, Lazada, Tiki), or other applications and software (such as Grab, Spotify, Shopee). At the same time, e-wallets are supported by incentivized users due to frequent promotions, discounts, and points accumulation.

Peer-to-peer lending

In addition to the foreign investments flow into the Payment Intermediary Services sector, peer-to-peer lending (P2P Lending) is a widely used service enabled by the growing digital market transformation where all monetary transactions are supported by technology. As of now, there is no legal definition for "P2P lending" in any relevant Vietnamese legal document, or any specific decree and or circular which regulates the activities of companies (local-invested and foreign-invested) providing P2P platforms/apps in Vietnam.

Digital banking

The Law on Credit Institution requires traditional banks to obtain a banking license for establishment and operation. However, there is no clear legal procedure for establishing a digital bank to provide banking services. Fintech companies are not in a position to apply for a standard banking license and often partner with traditional banks to develop digital banking platforms. Digital banking activities are regulated by laws on credit institutions, anti-money laundering, electronic transactions, and personal data protection.

Market Access limitations and licensing conditions.

Regarding market access regulations for foreign investors entering Vietnam applicable to the provision of intermediary payment services, these activities have not been committed by the Vietnamese authorities under the WTO Commitment. Accordingly, after receiving an investment project registration application from foreign investors, the licensing authority needs to consult the relevant Ministries in regard to permitting investors to undertake activities in-country. That said, there are currently no regulations or conditions regarding foreign investors' ownership limitations when establishing entities in Vietnam operating with intermediary payment services. Note that only Vietnam-based IPS providers are permitted to offer these services, while offshore providers are not.



A Fintech company's financial and non-financial services will be regulated according to the relevant business lines in the Vietnam Standard Industrial Classification (VSIC), which is issued by the Prime Minister of Vietnam and Vietnam's commitments in the WTO agreement and other prevailing international treaties.



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In practice, we have seen several foreign-invested companies in Vietnam obtaining approval from the licensing authorities to perform intermediary payment services under their approved business lines. One of the most common business lines which is relevant for companies providing Payment Intermediary Service is.

VSIC code	Business line
6499	Other financial activities not elsewhere classified (except for insurance and Social Insurance)

However, foreign investors must still seek Ministerial approval to be eligible for the provision of this specialized service in Vietnam, as it is not specified in the WTO Commitments, thus the application process may take several months or more before any approval is granted.

Local companies owned by Vietnamese citizens, even though they are not required to seek market access approval as their foreign invested peers, may encounter challenges regarding the statutory conditions which need to be satisfied to be able to legally operate their business.

Operational conditions and sub-licenses

Vietnamese law allows both bank and non-bank organizations to provide Intermediary Payment Services. However, non-bank institutions (to simplify, ordinary Vietnamese companies in the majority of cases) can only be allowed to undertake the payment intermediary service after attaining the License of provision of intermediary payment services ("IPS License") issued by the State Bank of Vietnam (SBV).

The prime condition to attain the IPS License is the requirement for minimum charter capital of at least 50 billion Vietnam Dong. In addition, the company must satisfy the following prerequisites:

- Have a scheme to provide intermediary payment service.
- The legal representative, General Director (Director) of the organization applying for the license is required to have an university degree or higher, or have at least 3 years working experience in one of the fields of business administration, economics, finance, banking, law.
- Have material facilities, technical infrastructure, information technology systems, technology solutions appropriate to the requirements of the provision of intermediary payment services. The backup engineering system has to be built independent of the main system to ensure the safe and continuous provision of services (in case the main system is compromised) and comply with specific regulations on ensuring safety and system confidentiality of banking and financial information.

As of 2023, there are over 50 licensed intermediary payment service providers in Vietnam approved by the State Bank of Vietnam, including Napas, Viettel Money (ViettelPay), FPT, etc.

Below is an illustration of the general procedure for obtaining the Intermediary Payment Services License.

License name	License for provision of payment intermediary services
Services to be applied	Electronic payment gateway services E-wallet Service etc
Authority	State Bank of Vietnam (SBV)
Lodgement	The company submits several sets of documents by post or directly to the SBV
Timeline	Approval within 60 days after the authority receives the complete and valid application file
Validity	The license is valid for 10 years from the date it was issued by the SBV and may be requested again at least 60 days before the expiry date



Thomas Beurthey
Founder & Managing Director of Dibee. Prior to founding Dibee, Thomas was the CFO and Managing Director at Accor Services India.



Dibee worked closely with the authorities to obtain the necessary payment intermediary services license to operate e-wallet for corporates. As an 100% FDI we used a professional legal firm with deep understanding on the compliance requirements which are becoming stricter. The process was very long but the communication with the team of SBV was open and supportive to help us meeting the compliance requirements. The regulation has evolved a lot in the past 3 years, and I would recommend to work with professional agency to monitor and liaise with the authorities to make necessary IT and operational changes to remain compliant. IT security, AML and KYC are fundamental.

Dibee provides digital payment linked to management systems for corporates to meet specific expenses and for fleet owners that link drivers, fleet managers and the accounting team. The Dibee platform includes the facility to set parameters to control and to authorize payment within the limits set by fleet manager. Dibee works in Vietnam with over 1,300 fuel stations including the large brands and independent providers for the convenience of clients.

Dibee helps to streamline the operations with fleet management processes combined with digital payments.

The positive outcomes are:

- reducing admin cost with automated and digital workflows
- eliminating / discouraging fraud with cash less and velocity controls and alert system
- transparency by sharing same information across the team.
- real time data that provides insights to improve efficiency on vehicle performance.
- reliable data to increase credit scoring.

In 2019, the State Bank of Vietnam released the draft decree to replace the existing decree regulating non-cash payment and Intermediary Payment Services. Initially, the SBV proposed a foreign ownership limitation at 49% for the IPS, however experts and IPS providers contested this proposal, and the SBV is still deliberating it.

The draft decree also sets out limited IPS sectors which are not subject to statutory license issued by SBV. Nonetheless, IPS providers are requested to cooperate with either a Vietnamese commercial bank or a licensed foreign bank branch in Vietnam. Provided that the draft decree takes effect, the opportunity of breaking into IPS market in Vietnam may be broadened for foreign investors.

The Peer-to-Peer Lending business proposition and regulatory reality in Vietnam

Pursuant to WTO Commitments between Vietnam and other members of WTO, P2P Lending is not mentioned as part of "Banking Services and Other Financial Services". Specifically, Section 7.B of the WTO Commitment listed the following activities to be governed by this commitment:

- Acceptance of deposits and other repayable funds from the public
- Lending of all types, including consumer credit, mortgage credit, factoring, and financing of commercial transaction
- Financial leasing
- All payment and money transmission services, including credit, charge and debit cards, traveler' cheques and bankers drafts.
- Guarantees and commitments.
- Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:
 - Money market instrument (including cheques, bills, certificates of deposits)
 - Foreign exchange
 - Exchange rate and interest rate instruments including products such as swaps, forward rate agreements.
- Money broking
- Assets Management
- Settlement and clearing services for financial assets.
- Provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services
- Advisory, intermediation and other auxiliary financial services on all activities listed in subparagraphs, including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.

Therefore, regarding the ability of foreign investors to access the market in this sector, as there are currently no specific instructions or agreements in place to regulate peer to peer lending, foreign investors entering this sector in Vietnam are required to seek investment approval from the relevant Ministries and follow the process to obtain the investment license before the P2P Lending entity can be established in Vietnam.

The operational scope of a P2P Lending business is to create an environment/platform for individuals with capital (lenders) and those who need capital (borrowers) to exchange and provide currency/capital transactions between each other without going through the banking system. Therefore, P2P Lending companies in fact, unlike companies in the financial services business, provide a digital technology platform instead of providing money/loans.



***“According to public records, most of the P2P Lending companies operating in Vietnam are domestic companies, however foreign investors are increasingly participating in the market in a proactive, participatory manner. P2P Lending service companies should register appropriate business lines, commensurable with their activities, as follows.*”**



Thao Nguyen

Manager - Licensing, Market Entry and Corporate Services of Acclime Vietnam

VSIC code	Business line
6619	Activities auxiliary to financial service activities not elsewhere classified
6312	Web Portals
6720	Management consultancy activities Detail: financial management consultancy

However, there is still no legal and regulatory basis to conclude that the 3 above-mentioned business lines registered by domestic P2P Lending companies are reasonable and sufficient from the point of view of the relevant authorities.

In Official Letter 5228/NHNN/CSTT dated 8 July 2019 of the State Bank of Vietnam, the SBV affirmed about this activity: *“In Vietnam, some companies have registered their business lines as financial advisory, financial brokerage and self-introduction as P2P Lending companies providing services to connect investors and borrowers; however, the current Vietnamese law does not have regulations on P2P Lending activities yet”.*

Therefore, it can be understood that, at present, there is no specific business line for P2P Lending Companies to register under the Vietnamese laws.

P2P lending future in Vietnam and the operation under Draft Sandbox Decree

According to Official Letter No. 5228 of the State Bank, SBV also stated that P2P Lending activities can contribute to promote the popularization of finance, expand capacity, and create more channels to access financial resources, lending methods, especially for disadvantaged groups in the society but with access to the internet; thereby, P2P lending may contribute to repel the “black credit” situation. However, P2P Lending activities present significant risks for consumers (lending risks, information risks, money laundering prevention risks, cybersecurity risks etc.) that can adversely affect the stability of the markets and social security.

The State Bank of Vietnam is concerned that P2P Lending enterprises may be operating “beyond their authority” when undertaking a form of “banking operations” under Article 8 of the Law on Credit Institutions 2010 and it encourages banks and credit institutions to be cautious when signing cooperation contracts with P2P Lending companies. This further shows that P2P Lending activity in Vietnam is still strictly monitored by the authorities, resulting in a more difficult licensing process for foreign investors seeking to operate in this industry in Vietnam.

Under the Draft Sandbox Decree, a P2P lending company can start operating once it meets the following requirements: (1) being chosen for the P2P lending trial mechanism; (2) successfully completing the trial mechanism for a duration determined by the SBV and Prime Minister; and (3) adhering to certain restrictions on service location, customer numbers, and service limitations.

To be considered for the trial mechanism, investors are required to submit an application to the State Bank of Vietnam, and forward it to the Prime Minister for final approval to participate in the trial mechanism. However, the decree has yet to be passed and we expect the government will release further guidance on these matters in the immediate future.

Major provisions of the Draft Sandbox Decree from the State Bank of Vietnam.

A sandbox is a global concept that refers to a framework established by a financial sector regulator to allow small-scale, live testing of innovations by private firms in a controlled environment. This testing operates under a special exemption, allowance, or other limited, time-bound exception and is supervised by the regulator. Like many other developed countries, such as the United Kingdom and Singapore, the Government of Vietnam has also proposed using a sandbox as an appropriate approach to regulating Fintech.

Accordingly, the first draft of the Draft Sandbox Decree was released in June 2020. Most recently, on 5 April 2022, SBV released the second draft of the Draft Sandbox Decree which provides in much greater detail the guidelines for the sandbox scheme.

The entities subject to the pilot implementation:

- Credit institutions: include banks, non-bank credit institutions, microfinance institutions and people's credit funds
- Fintech companies: organisations that independently provide Fintech solutions or through cooperation with other financial institutions, foreign bank branches

The Fintech solutions in the banking sector that are allowed to be conducted within the pilot implementation are the following:

- Granting credit on technology platforms.
- Credit scoring.
- Share data via application programming interfaces (APIs).
- Peer-to-peer lending (P2P Lending).
- Applying blockchain technology, distributed ledger (Blockchain Technology, DLT) in banking activities.



- Applying other technologies in banking operations, implementing innovative business cooperation models in accordance with the objectives of the Sandbox specified in Article 4 of the Sandbox Decree.

The maximum timeframe for testing the agreed Fintech solutions is two years. The duration of the Certificate of Participation in the Trial Mechanism shall not exceed the term (if any) of the License for establishment and business registration of the organization participating in the Trial Mechanism.

The State Bank will decide the scope of activities of solutions including, but not limited to, one or several of the following factors: Geographical location, transaction limit, number of customers participating in using solution; and remained unchanged during the test.

How can investors participate in the SBV Fintech implementation pilot?

Investors in Fintech can apply to the State Bank of Vietnam for approval to participate in the testing trial. Once granted a Certificate of Participation in the pilot, the organization is permitted to conduct a trial of their Fintech solution within 90 working days from the date of receiving the certificate.

Fintech companies that do not enter the sandbox or choose not to participate are not required to cease operations or explicitly prevented from conducting their business, as long as they comply with applicable laws. From a practical perspective, it is unclear whether the Vietnamese authorities will take any measures to limit the operation of non-participants in the sandbox. This question can only be answered once the sandbox is formally deployed.

Upon participating in the sandbox, corporate participants and their key personnel are subject to several restrictions, which also serve as operational principles that must be maintained during the testing period.



“International investors active in the Fintech sector should monitor the developments within the regulatory digital transformation framework in Vietnam and be aware of the above prerequisites for market entry provisions and conditions before setting out a long-term investment strategy in country.”



Vlad Savin

*Head of Business Development,
Acclime Vietnam*

9

Conclusion

**The path towards
sustainable growth.**

Looking ahead.

According to projections from the State Bank of Vietnam, the value of mobile payments in the country is anticipated to experience a nearly four-fold increase, rising from US\$ 16 billion in 2016 to US\$ 70.9 billion in 2025. Furthermore, personal credit is expected to constitute approximately 24% of the market by 2025.”

Fintech has been promoting financial inclusion, improving access to financial services, and driving innovation in the Vietnamese economy. It has also facilitated the growth of e-Commerce and digital marketplaces by providing payment solutions and logistics support. Furthermore, Fintech has introduced technologies such as blockchain to enhance the security and traceability of online transactions, thereby building trust among buyers and sellers.

In summary, Vietnam’s Fintech landscape has undergone significant growth and transformation in recent years, driven by the country’s digitalization efforts and an improved regulatory environment, including the 2021-2025 cashless payment development project that aims to increase the value of non-cash payments to 25 times the GDP.

Where digital is the future, Fintech will thrive.

In terms of venture capital investment, Fintech investment has remained robust, with Core Payments investment constituting a significant proportion of the total deal value and deal count in Vietnam. The growth story is supported by data from the State Bank of Vietnam showing that non-cash payment transactions experienced significant growth in 2022, with an increase of 86% in volume and 31.39% in value. Furthermore, according to data from the World Bank, the percentage of individuals who made a digital online payment for an online purchase rose from 15% in 2017 to 48% in 2022.

Despite the impact of the funding slowdown on the domestic market, the growth forecast for Vietnam’s Fintech industry remains highly optimistic. Factors such as a young, tech-savvy population, increasing internet and smartphone penetration, a burgeoning GDP and supportive regulatory frameworks will continue to drive Fintech innovation and investment. In addition, over the next few years, the integration of ESG principles into Fintech and the emergence of Green Fintech will have a significant impact on the financial landscape.

However, it is important to acknowledge that challenges such as cybersecurity risks, regulatory compliance, and customer trust must be addressed in order to ensure the sustainable growth of Vietnam’s Fintech industry. Collaboration between Fintech companies, traditional financial institutions, and regulatory officials will be essential in establishing a secure and sustainable Fintech ecosystem in Vietnam.



In summary, the Fintech landscape in Vietnam is positioned for sustained growth and advancement. As this is a long-term growth narrative, investors are advised to focus on establishing long-term competitive advantages rather than short-term strategies.



Matthew Lourey
Managing Partner, Acclime Vietnam

Advocacy and official endorsement.

The Advance of Fintech in Vietnam industry report is officially endorsed by the Vietnam Digital Communications Association, the Association of the Telecommunications Industry of Singapore and VBEx Summit 2023.

ACCLIME.



OFFICIAL LETTER

"The vision for the ASEAN Connectivity Masterplan 2025 is to achieve a seamlessly and comprehensively connected and integrated ASEAN and will promote competitiveness, inclusiveness, and a greater sense of community.

Vietnam's population demographic dividend of a young IT literate human resources presents a distinct competitive advantage for the region. The process of digital transformation is permeating all economic sectors and all aspects of social life.

Singapore is well regarded in global and regional rankings for leveraging ICT for economic growth. The World Economic Forum has consistently ranked Singapore among the top 5 nations in its Global Information Technology Report which measures the impact of ICT on the development process and the competitiveness of countries.

Both Vietnam Digital Communications Association (VDCA) and Association of Telecommunication Industries of Singapore (ATIS) have endorsed the Vietnam Business Exchange (VBEx) which is an aggregator and brings together the tech, Fintech and sustainable solutions ecosystem to catalyse business growth and transformation.

The Advance of Fintech in Vietnam Industry Report conducted by Acclime Vietnam & Decision Lab will contribute to the documenting and distilling of knowledge for the Fintech industry during the inaugural VBEx Summit 2023. We support such initiatives that enhance the capacity and business environment for Fintech startups and SME's who can accelerate their digital transformation and access sustainable financing. We want Vietnam SME's to develop ASEAN linkages through VBEx and gain greater visibility to connect capital with ideas!

Digitilisation opens whole new growth opportunities. Business owners need a plan for not only outlines which technologies need to be adopted but also protection from digital disruption. Fintech is expected to play a valuable role in advancing sustainable development in Vietnam. There is no doubt that Vietnam will achieve its digital and green economic development goals with its ambitious decarbonization roadmap. Fintech will play an important role in realizing its own goals.

The industry congratulates the launch of this timely report and encourage the private and public sector to use VBEx to address the challenges to ensure the SME community is prepared to adopt ESG practices and seize all opportunities for sustainable economic growth."

Cosigned by:



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References & Engagement Team.



Research references.

Data and metrics were corroborated in partnership with Decision Lab, a company committed to driving new thinking and technology in marketing with Vietnam's most modern market research offering. It's also the exclusive partner of YouGov in Vietnam.

In addition, Ascend Vietnam Ventures, Dibee, Home Credit Vietnam, GreenAnt, RMIT Vietnam and Oriental Investment Advisors have provided substantial information and material market related insights.

Additional research references:

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- GSMA intelligence
- Kaspersky
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- Vietnam Bank Association
- BIDV Research and Training Institute
- Global Green Finance Index
- VnEconomy
- ADB
- Vietnam Insider

Engagement team.

If you have any questions regarding this study, please don't hesitate to contact us.



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Vlad is a business development and marketing professional, who has resided in South East Asia for the last 10 years. He has wide experience in personal finance and corporate servicing, working with investment firms in Malaysia and Vietnam, while having a strong background in marketing, client service and events with international exposure. Vlad has been developing Acclime's business strategy and growth, organizing and creating seminars and workshops for the foreign and local investor community in Vietnam, while assisting with client relationships and the overall brand positioning of the firm. Vlad graduated from Spiru Haret University in 2006 with a Bachelor of Marketing and International Relationships.

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Matthew is a qualified accountant who has resided in Vietnam for over 18 years. He has extensive experience working in Australia for Big 4 accounting firms and investment funds, and since Matthew relocated to Vietnam he has spent much of his time advising foreign investors on successfully undertaking business in Vietnam, corporate investment transactions, market entry and corporate finance. He also currently sits on a number of boards in Vietnam, advising as an independent non-executive director.

Matthew graduated from Monash University in 1994 with a Bachelor of Commerce and qualified as a Chartered Accountant in Australia in 1997.

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Acclime Vietnam is a part of Acclime Group - a premier corporate services provider in Asia with presence in 14 jurisdictions covering Australia, Cambodia, China, Hong Kong, India, Indonesia, Malaysia, Mauritius, New Zealand, Philippines, Seychelles, Singapore, Thailand and Vietnam.

With a focus on providing exceptional services to international clients, Acclime helps corporates and private clients seamlessly advance their businesses and interests in difficult-to-navigate markets in Asia and beyond. Our years of in-market experience and deep knowledge helps our clients to avoid pitfalls and make progress faster.

Acclime Vietnam is one of the most reputable and trustworthy names in the corporate services sector in Vietnam, with almost 150 staff working across 3 key cities: Hanoi, Ho Chi Minh City and Danang, Acclime Vietnam has been assisting foreign invested and locally owned companies to enter, expand, operate and succeed in Vietnam, while maintaining the highest level of professional standards through proactive compliance, reporting assistance and advice.

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Decision Lab

Decision Lab is a company committed to driving new thinking and technology in marketing with Vietnam's most modern market research offering. Combining Decision Lab's thought leadership and problem-crunching capability with the industry's strongest data solutions provides a best-in-class offering for leading innovative brands that are ready to transform with the changing market conditions.

Decision Lab – the only boutique agency in the country – is well-known for its thought leadership in digital media and understanding of a new generation of consumers. Since 2016, the agency has been driven by global technology partners and a sought-after talent programme. It has also worked with some of the most forward-thinking multinational and global brands as well as leading global tech giants.

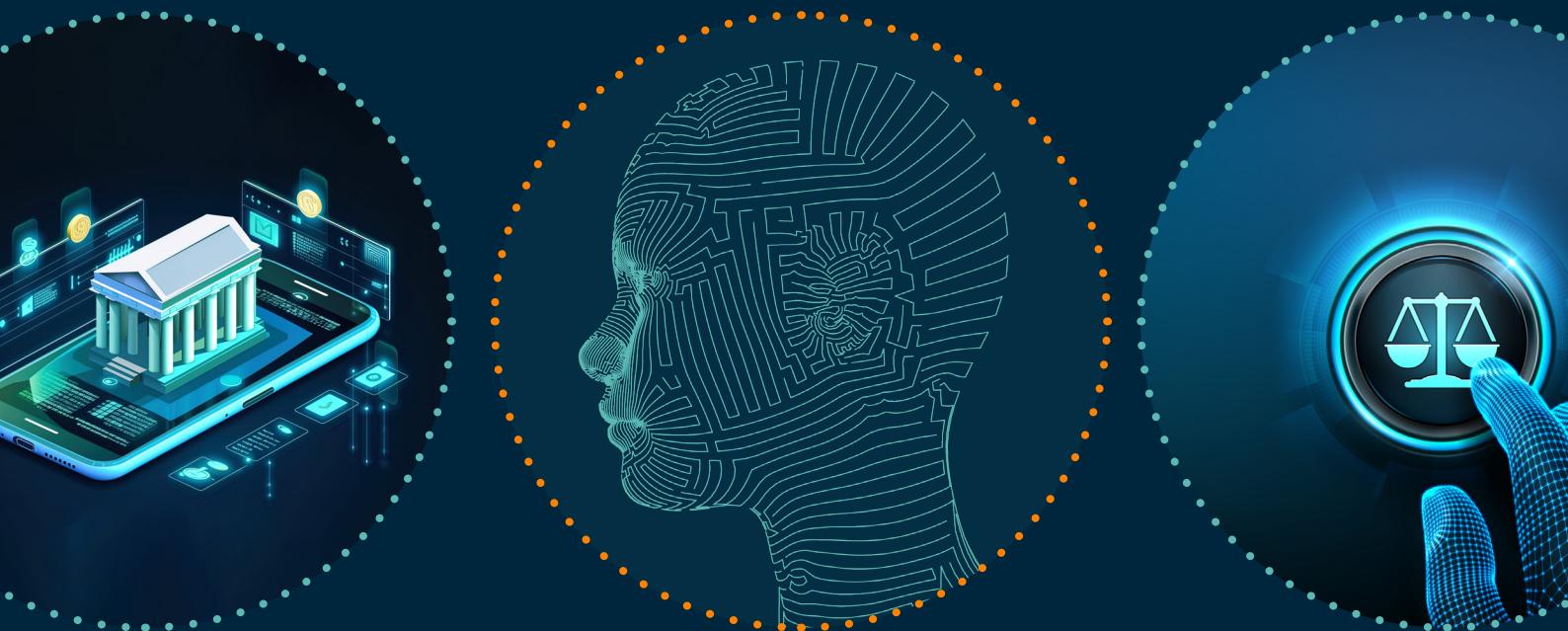
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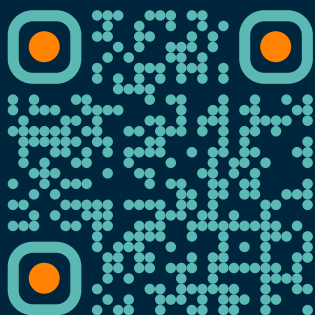
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CONTACT OUR EXPERTS

If you are seeking to understand the complex regulatory framework governing the Fintech sector in Vietnam, we are here to support. Let's talk about how we can help.



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