



VIETNAM'S FINTECH SANDBOX MECHANISM UPDATED DRAFT DECREE

While it is undeniable that fintech has brought to the banking sectors a multitude of advantages and redefined the way business transactions are made, fintech innovations are also accompanied by risks of which they must be aware. Hence, regulatory sandbox seems to play a pivotal role in fostering fintech innovation since they will strike a balance between promoting innovation and ensuring that risks are properly managed. Given this, regulatory sandboxes have been used in various countries in order to help the regulators develop adequate regulations not only to provide consumer protection and maintain financial stability but also to create an environment for safe fintech innovations.

Recently, the Government of Vietnam published an updated draft of the Decree on Fintech Sandbox Mechanism in the banking sector ("**2024 Draft**") proposing several amendments to the previous draft published on 1 April 2022 ("**2022 Draft**").

Fintech experiments and Fintech solutions eligible to join

Under the 2024 Draft, there remain only three fintech solutions eligible to join the fintech experiments, including:

- Credit scoring;
- Data sharing via Open Application Programming Interface (Open API); and
- Peer-to-peer lending (P2P Lending).

In addition to criteria which were provided in the 2022 Draft, such as creativity, novelty and potential benefits

of fintech solutions, suitable development plans, the duly establishment and operations in Vietnam of the fintech firms etc. the 2024 Draft elaborates and supplements criteria of their key personnel such as holding proper degrees and having at least two years of experience in the management or executive positions in the field of banking and finance.

The State Bank of Vietnam reserves the right to determine the number of fintech firms who may be granted with the permission for fintech experiments from time to time.

The fintech experiments will be limited within the territory of Vietnam. No cross-border experiment may be permitted.

The 2024 Draft provides a maximum term of two year-testing-period to experiment the fintech products. Extension may be granted no more than twice and will be for a period not exceeding one year for each time.

Supervision by the State Bank of Vietnam

For the purpose of supervising the fintech experiments, the State Bank of Vietnam may request for data, assess the fintech experiments and give warning or recommendations in case of potential risks. The State Bank of Vietnam may also organize on-site inspection two times per year in case it is suspected that data provided by fintech firms is inaccurate, incomprehensive or unsuitable; or that there may be potential risks which requires additional data; or consumers' rights are not duly protected.



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