

August 24, 2006

In Vietnam, Trader's Losses Are a Capital Case

By JAMES HOOKWAY
 August 24, 2006; Page C1

(See Corrections & Amplifications item [below](#).)

HANOI, Vietnam -- In most countries, executing a foreign-exchange trade won't get you executed.

But in Vietnam, an up-and-coming executive at a state-owned bank is potentially facing a firing squad, and four employees of **ABN Amro Holdings NV** could be jailed for as long as 20 years after a seemingly routine transaction turned into a test of Vietnam's readiness to do business with the rest of the world.




Trade Execution? Haiphong branch of Vietnam's Industrial & Commercial Bank

Until February, Nguyen Thi Quynh Van was well on the way to a promising banking career. Based in the thriving port city of Haiphong, 90 minutes from Hanoi, the 35-year-old Ms. Van was deputy head of trade financing at the local branch of one of Vietnam's biggest state banks. From the offices of Industrial & Commercial Bank of Vietnam, or Incombank, she traded foreign currencies through a series of intermediaries, including ABN Amro.

Vietnamese police allege Ms. Van lost \$5.4 million in a series of speculative trades from April 2003 to February 2006. Worse, police say Ms. Van wasn't authorized by Incombank to make those trades, or any trades at all for that matter. **Her manager approved them because he couldn't read enough English to understand what she was doing,** several people familiar with the situation say. Police arrested Ms. Van Feb. 28 for allegedly "mishandling state assets," a capital offense in Vietnam.

This is no simple story of a rogue trader falling afoul of the authorities, however. In an effort to recover its losses, Incombank has sued ABN Amro to return the \$5.4 million Ms. Van lost -- even though the Dutch bank only received a commission as the middle man in the currency deal.

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At the same time, Vietnamese police are pursuing a criminal investigation into whether ABN Amro staff knowingly helped Ms. Van execute unauthorized trades. The authorities have so far thrown two Vietnamese ABN Amro employees into prison without charges and denied them access to lawyers or their families. One, currency trader Pham Minh Hoang, has been in a top security prison for more four months. Two other ABN Amro workers have been put under house arrest while the police continue their inquiries.

Police also have barred the U.S. general manager of ABN Amro's Hanoi branch, De Pham, from leaving the country, although she is six months pregnant and says she requires overseas medical treatment for complications relating to her condition. The Dutch bank won't disclose the names of those who profited from Ms. Van's losses.

The currency case reflects the distance Vietnam has to go before it can say it is governed strictly by rule of law rather than the whims of the police and the dictates of the ruling Communist Party. It also comes at a time when Vietnam -- one of the world's hottest emerging markets and a new manufacturing hub for companies such as Intel Corp., Canon Inc. and Sony Corp. -- is on the cusp of opening up further to the world economy. Hanoi hopes to join the World Trade Organization by the end of the year, and will host President Bush and Asian-Pacific leaders at a summit in November.

Vietnamese government spokesman Le Dung says the ABN Amro case won't turn off the spigot of investment flowing into Vietnam. **Last year, the country attracted \$5 billion in foreign direct investment, nearly as much as India.** But Tom O'Dore, chairman of the American Chamber of Commerce in Vietnam, says other businesses operating in the country are worried that they may face police action if they fall into a dispute with local partners.

Losing Currency

Latest developments in the foreign-exchange trade scandal in Vietnam

- **Feb. 28, 2006:** Vietnamese police detain Nguyen Thi Quynh Van, a trader at the Haiphong branch of Industrial & Commercial Bank, or Incombank, as they try to build a criminal case against her for losing \$5.4 million of the government's money in a series of currency transactions.
- **April 21:** Vietnamese police detain two ABN Amro Holdings NV traders as their investigation spreads. One is kept under house arrest, the other is detained in a prison for hardened criminals and is refused access to lawyers.
- **May:** Incombank files a civil lawsuit against ABN Amro to return the money that its trader lost.
- **July 20:** Police detain an additional two ABN Amro employees.
- **Aug. 12:** Prime Minister Nguyen Tan Dung

ABN Amro officials say there is nothing wrong with the bank's role in Ms. Van's currency transactions. "We are extremely concerned for the welfare of our colleagues who are being detained....However, given that the underlying civil matters are currently before the courts, we cannot comment further," a spokeswoman for the bank in Hong Kong said.

People familiar with the situation say Vietnam's central bank also has examined the Dutch bank's trades with Incombank and found nothing wrong. Central-bank officials decline to comment on their investigation into ABN Amro or Incombank but have reported them to the police.

Clearly, the dangers that foreign companies face when they enter unfamiliar countries can befall even practiced international banks such as ABN Amro, which rose from a colonial trading company to become one of the world's largest banks.

A number of banks are active in Vietnam. ABN Amro, **Citigroup Inc.**'s Citibank NA and **HSBC Holdings PLC** -- which has purchased a stake in a local bank -- all maintain branches or representative offices in Hanoi and Ho Chi Minh City. But an unpredictable legal system and widespread corruption are threatening to take some of the sheen off Vietnam's economy.

The Dutch bank's problems began in February when, during a routine audit of foreign-exchange transactions at the Incombank branch in Haiphong, central-bank officials discovered that Ms. Van wasn't actually authorized to trade currencies for the Incombank.

Incombank then asked the Vietnamese police's Economic Crimes Division to scrutinize its Haiphong branch. The police put the whole branch under investigation, people familiar with the situation at Incombank say. Ms. Van was arrested at her home, while four colleagues in the foreign-exchange trading room were dismissed. Ms. Van is being detained and couldn't be reached for comment.

During the investigation, the police also stumbled over a little-known banking regulation that requires all foreign-currency traders to register with the central bank; the detained ABN Amro employees hadn't done so.

After uncovering this technical violation, police began paying regular visits to ABN Amro's offices in Hanoi to question staff about Ms. Van's transactions. On April 21, two of ABN Amro's employees were detained on suspicion of trading with Ms. Van even though they allegedly knew she wasn't authorized to trade currencies. One was put in jail while the other was held under house arrest because she had young children. Two other ABN Amro staffers were detained in July. Again, one was put in jail and the other under house arrest.

After the police moved against the ABN Amro employees, Incombank filed a civil suit against the foreign bank, demanding that it repay the \$5.4 million that Ms. Van's lost on her trades.

With media and investor scrutiny of the case growing, Vietnam's prime minister, Nguyen Tan Dung, on Aug. 12 instructed the police to continue their investigation. Initial hearings on the civil case are scheduled to begin by the end of this month.

--Thu Nguyen contributed to this article.

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Corrections & Amplifications:

The name of the U.S. general manager of ABN Amro Holding NV's Hanoi branch is De Pham. This article misspells her name as Del Pham.

URL for this article:

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