

Vietnam to pilot virtual currency as crypto thrives in gray zone

Central bank instructed to develop blockchain-based digital money

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HO CHI MINH CITY -- After years of warning its citizens not to "gamble" on virtual money, the Vietnamese government has decided to explore creating its own digital currency.

The surprise policy move came buried near the bottom of Prime Minister Decision 942, which lays out a strategy for digitizing the government by 2030. Released last month, it directs the State Bank of Vietnam to research, "develop, and pilot the use of virtual currency based on blockchain technology."

The move comes amid a wide-ranging crackdown on private cryptocurrencies elsewhere, from a China clampdown that sent bitcoin prices plummeting last month, to a ban on the Binance trading platform by the U.K. and warnings from other countries.

In Vietnam, using cryptocurrencies to make purchases is illegal, but they are still actively bought as investment instruments -- the country is in the top three globally in percentage of people saying they hold some form of crypto asset, according to a survey by Statista. Shops also have sprouted up around Ho Chi Minh City using "bitcoin" in their names or offering to accept the currency as a way to attract customers.

Hanoi's foray into digital money does not mean it will soon replace the country's magenta-and-blue bank notes. Nor does it presage a friendly stance toward speculators by the government. As recently as March, the state bank was reminding people that crypto is not legal tender.

A cafe in Ho Chi Minh City cashes in on the cryptocurrency craze with its logo design. (Photo by Lien Hoang) © Lien Hoang

What the blockchain pilot program does seem to indicate is that the state has decided it cannot ignore the cryptocurrency mining and trading frenzy that has taken off during the coronavirus pandemic as people out of work or stuck at home seek new sources of income.

Instead, experts say, the government is looking at ways to regulate the new technology.

Binh Nguyen Thanh, coordinator at RMIT University Vietnam's FinTech-Crypto Hub, said Decision 942 opens the door to the possible creation of a central bank digital currency, which would allow authorities to control virtual money rather than leave it to decentralized software and private enterprise.

"I think they will look at how the experiment in other countries goes," Thanh told Nikkei Asia. Cambodia launched a state-backed digital coin, while neighbors from China to Thailand are debating similar action.

He expects Vietnam will form a task force of different agencies, from the state bank to the justice ministry, to collect information about blockchain and central bank digital currencies. The

government has been planning a fintech regulatory sandbox -- a controlled environment for testing new technologies -- and a digital currency pilot could be added to that, Thanh said.

Decision 942, he was careful to note, does not legalize cryptocurrency trading.

Nevertheless, it remains popular, according to Lynn Hoang, Vietnam director of Binance, the world's biggest crypto exchange.

She said in April the country was in the top 10 of those using her company's marketplace.

"Users in Vietnam, they're willing to try new things," she said in an interview, adding: "We work with regulators. So far we don't see any problems in Vietnam."

The cryptocurrency market remains in a gray area and is hard to regulate, Thanh said. But the Southeast Asian country is unequivocal that fiat money is the only legal money.

The state bank's missive in March included warnings that people dabbling in crypto risk falling prey to pyramid schemes, criminal use of virtual money and trading volatility.

"The use of bitcoin as a means of payment in Vietnam is a violation of the law," it said, "and may be subject to administrative or criminal sanctions."