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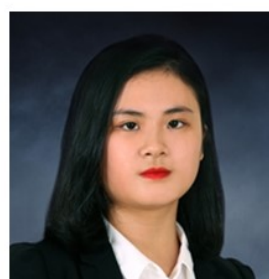
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SUMMARY OF THE DRAFT DECREE ON CONTROLLED TESTING MECHANISM FOR FINANCIAL TECHNOLOGY ACTIVITIES (FINTECH) IN THE BANKING SECTOR



By Ha Thi Hai – Partner



By Nguyen Thi Ngan – Legal Assistant

bizconsult
LAW FIRM

Ha Noi Office

VNA Building
20 Tran Hung Dao Street,
Hoan Kiem District
Hanoi, Vietnam

Ho Chi Minh Office

Room 1103,
11th Floor, Sailing Tower
111A Pasteur, District 1,
Ho Chi Minh City, Vietnam

bizconsult.vn

Recently, the State Bank of Vietnam (SBV) issued a Decree on Controlled Testing Mechanism for Financial Technology Activities (Fintech) in the banking sector for public opinion. In the context of fast-growing financial technology entailing many potential risks, the draft decree can be considered as one of the first bricks, laying the foundations for building a regulatory framework for Fintech in Vietnam.

1. Definition of Controlled Testing Mechanism for Financial Technology Activities (Fintech)

According to the draft decree, the Fintech Testing Mechanism (hereinafter referred to as the Testing Mechanism) is a legal mechanism established by the Government that allows credit institutions, Fintech solution companies and innovative organization to directly conduct Fintech product and services testing in an environment that is strictly controlled and monitored by the relevant regulatory agencies.

2. Subjects and fields allowed to participate in the Testing Mechanism

Three group of subjects involved in Fintech activities in the banking sector are expected to be allowed to participate in the test include: credit institutions (credit institutions) as prescribed in the Law on Credit Institutions 2010; Fintech company/Fintech solution



provider cooperating with banks; Fintech company/independent Fintech solution provider. Fintech fields participating in Fintech testing mechanism includes: payment; credit; peer-to-peer lending (P2P Lending); customer identification support; open application programming interface (Open API); innovative application technology solutions such as Blockchain; other services supporting banking activities (such as credit scoring, savings, capital mobilization, etc.).

To be approved to participate in the Fintech Testing Mechanism, the subjects must meet all the following criteria:

- Being a solution that does not yet exist or is partially unregulated;
- Being an innovative Fintech solution applied for the first time in Vietnam or a Fintech solution applied for a new, highly innovative service that contributes to the benefit of service users in Vietnam, especially solutions to support and promote the goal of expanding financial universalization;
- Being a well-designed risk management solution that does not have or is likely to have a negative impact on financial institutions in particular and the financial system in general; have a plan to handle and overcome risks occurring during the testing process;
- Being a solution that is implemented by Fintech companies/Fintech solution providers or credit institutions with appropriate and accurate assessment of functions, utilities and usefulness;
- Being a feasible and commercial solution, with a plan to provide specific markets after the completion of the testing process;

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L A W F I R M

Ha Noi Office

VNA Building
20 Tran Hung Dao Street,
Hoan Kiem District
Hanoi, Vietnam

Ho Chi Minh Office

Room 1103,
11th Floor, Sailing Tower
111A Pasteur, District 1,
Ho Chi Minh City, Vietnam

- Being a solution that contains no potential risk of destabilizing financial markets – banks in particular and the economy in general.

3. Scope of testing

The testing time for Fintech solutions is 1-2 years depending on the specific solutions and fields, counting from the time the Prime Minister approves the trial. Depending on the specific Fintech solutions, the SBV shall discuss with the testing organizations to decide the scope for the operation of the solutions, including at the same time or one of three factors: geography, transaction limit and number of customers participating in the service.

4. Registration for participation in the Testing Mechanism

Credit institutions, Fintech companies/Fintech solution providers must carry out the registration when participating in the Testing Mechanism, the registration dossier includes: (1) Application for participation in Fintech Testing Mechanism; (2) Establishment license or incorporation registration certificate and not in the process of division, separation, consolidation, merger, conversion, dissolution or bankruptcy under an issued decision; (3) Written description of the organizational structure and executive management of the Fintech Solution registered for testing; (4) Scheme describing Fintech Solution.

The testing time for Fintech solutions is 1-2 years depending on the specific solutions and fields, counting from the time the Prime Minister approves the trial.

The SBV is the focal point to receive, appraise dossiers, advise and submit to the Prime Minister for granting or withdrawal of certificates of participation in the Testing Mechanism.

5. Provisions on risk monitoring, reviewing and certifying test completion for organizations

At the end of the testing period, organizations participating in the test must develop a summary report, including information: test output, test evaluation of success or failure of the solution and test results; incident reports and customer complaints, handling and lessons learned from testing. The SBV shall base on the summary report and monitoring process to submit to the Prime Minister the next solution, including: ceasing the test, certifying the test completion or extending the test period. The issuance of the certificate of testing completion is the basis for organizations to officially deploy the solution to the market. At the same time, the results of service testing are also set the ground for state agencies to develop and complete suitable legal framework to each type of Fintech service and application.

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L A W F I R M

Ha Noi Office

VNA Building
20 Tran Hung Dao Street,
Hoan Kiem District
Hanoi, Vietnam

Ho Chi Minh Office

Room 1103,
11th Floor, Sailing Tower
111A Pasteur, District 1,
Ho Chi Minh City, Vietnam

bizconsult Partners



Tuan Nguyen
Cell: +84 903404242
tuanna@bizconsult.vn



Viet Nguyen
Cell: +84 913028222
vietnd@bizconsult.vn



Phong Le
Cell: +84 915453128
phonglh@bizconsult.vn



Nghia Nguyen
Cell: +84 936334499
nghiant@bizconsult.vn



Van Nguyen
Cell: +84 913231019
vannb@bizconsult.vn



Lien Trinh
Cell: +84 904242684
lienth@bizconsult.vn



Huyen Nguyen
Cell: +84 912908579
huyennt@bizconsult.vn



Hai Ha
Cell: +84 963718558
haiht@bizconsult.vn



Quoc Tran
Cell: +84 934778119
quoctc@bizconsult.vn

bizconsult
LAW FIRM

Ha Noi Office

VNA Building
20 Tran Hung Dao Street,
Hoan Kiem District
Hanoi, Vietnam

Ho Chi Minh Office

Room 1103,
11th Floor, Sailing Tower
111A Pasteur, District 1,
Ho Chi Minh City, Vietnam

Ha Noi Office

VNA Building
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Hoan Kiem District
Hanoi, Vietnam

Ho Chi Minh Office

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111A Pasteur, District 1,
Ho Chi Minh City, Vietnam

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Contact

To receive our news or receive updates, please contact us:

To call:



Trang Vu

Cell: +84 934551191

trangvm@bizconsult.vn

Or

VNA Building 20 Tran Hung Dao Street, Hoan Kiem District Hanoi, Vietnam

Phone: +84 (0) 24 3933 2129

Facebook: https://www.facebook.com/bizconsult.lawfirm/?ref=py_c

LinkedIn: <https://www.linkedin.com/company/bizconsult-vietnam>