

ASEAN

Vietnam ICO Market

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Bitcoin: Vietnam's Stance

Much like China's stance on Bitcoin, Vietnam - compared to its surrounding Southeast Asian countries like Thailand or Malaysia - has not been as welcoming to the use of cryptocurrency. This has been evident since the country's statement released around February 2014, warning Internet users of the potential financial risks involved in investing in Bitcoin, along with the the State Bank of Vietnam (SBV) recognizing the currency as a [non-legitimate means of payment](#).



On October 30th, 2017, the SBV - the country's central bank institution - had released a statement on their [website](#) labeling the trade, issuance, or use of cryptocurrency as a form of payment being strictly prohibited. This regulation had become further strengthened in 2018, when it was stated that any person or organization in act of violation of this ban would result in a penalty fine of 150 to 200 million Vietnamese Dong (roughly \$6,000 to \$9,000 USD).

"Bitcoin virtual currency and other similar is not lawful means of payment in Vietnam; The issuance, supply, use of bitcoin and other similar virtual currency as a means of payment is prohibited in Vietnam." (translated from [the State Bank of Vietnam](#)).

It is believed that Vietnam may have followed in the footsteps of the bordering red giant, communist mainland China, as the news had come only a month after the nation's declaration against the use of bitcoin in September 2017. This move may have come across as surprising for some, as up to August of that year (only two months prior to the statement being released), Prime Minister Nguyen Xuan Phuc was reported to have [approved a plan to streamline legal framework](#) around the management of cryptocurrency in Vietnam. Such actions left many Bitcoin enthusiasts hopeful, as it would mean the country's eventual legal recognition of such digital currencies.



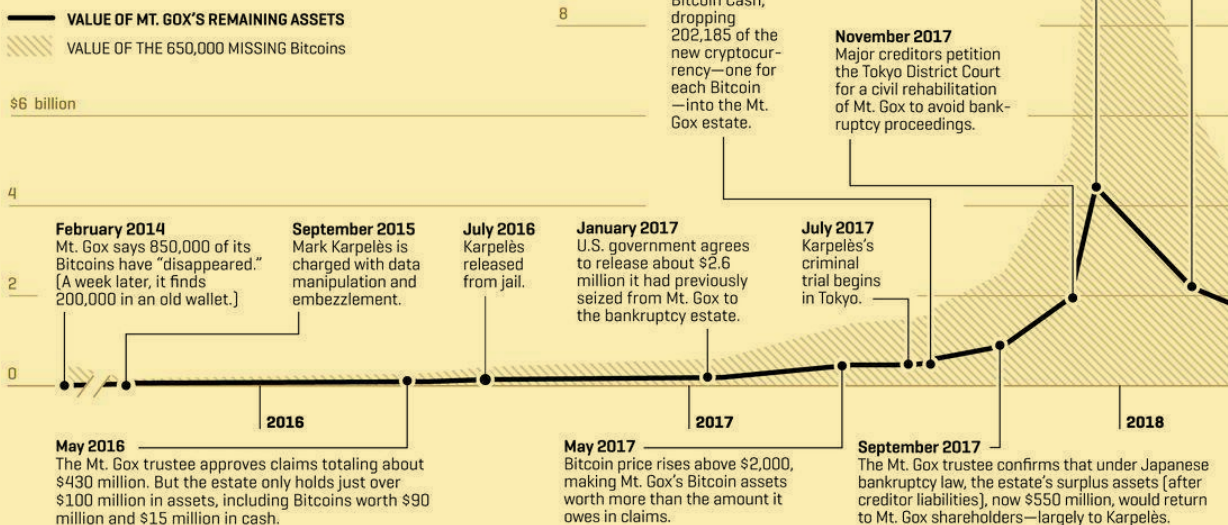
The Fearful Case of Mt. Gox

While there are several reasons for why the State Bank of Vietnam has remained wary of Bitcoin - from corruption, money laundering, ill-monitored drug-purchases, etc. (perhaps a fear of monetary disruption, but who can tell?) - one of the prevalent cases that seem to be a point of focus for the country is the potential repeated case of something like Mt. Gox.

Back in February 2014, Mt. Gox - one of the world's largest Bitcoin exchange trading platforms - collapsed, and the boss was charged with embezzlement and data manipulation (to which he pleaded not guilty), as the website itself suddenly closed down leaving thousands of investors at a loss. Claiming several network problems, [the highly popular Tokyo-based platform prevented people from withdrawing](#) and eventually announced closure, leading to roughly \$500 million USD worth of investments being lost.

GOING, GOING, GONE ... WAY UP

The price of Bitcoin topped \$2,000 in May 2017 after a two-year bear market following Mt. Gox's bankruptcy, making Mt. Gox's remaining Bitcoins worth more than everything it owed in claims from the heist. Today its \$2 billion in assets are worth several times the sum it lost.



NOTE: MT. GOX REMAINING ASSETS INCLUDE BOTH BITCOIN AND CASH. AFTER AUGUST 1, 2017, THE VALUE OF MT. GOX'S ASSETS ALSO INCLUDES BITCOIN CASH.

<http://fortune.com/longform/bitcoin-mt-gox-hack-karpelès/>

Apprehension with Reason

In the end, it is cases like Mt. Gox (among many others) that have served as hallmark examples of the dangers of cryptocurrency, and it appears to be this fear of the unknown that leads to Vietnam's current stance toward the matter. Along with that, since Bitcoin is constantly fluctuating, the State Bank of Vietnam has expressed that the instability of this cryptocurrency makes it a rather unsteady investment - for which warnings are welcome, but banning?

Moreover, with Vietnam's laws against drugs and corruption being quite strict, the idea of a currency that can be exchanged anonymously leaves a lot of room for payments for illegal activities. For this reason, rather than having the possibility of this occurrence come into fruition, the ban itself provides a level of assurance that such a problem would not grow any bigger (than it already has). Although, with [Vietnam's reported past history of human rights violations](#) (which appears to be [ongoing](#) even up until recently), and a totalitarian government, the sincerity of these concerns as far as actually concerning the wellbeing of its citizens, can certainly be questioned, and would likely not be the concrete reason for their concern.

The reasons mentioned above, aside from the reported human rights violations & totalitarian government, appear on the surface level (at least) to provide reasoning

behind the communist state's stance. While there was [mention](#) in January of 2018 of the government opening their mind to adopting the right legal framework to regulate cryptocurrencies like Bitcoin, for the time being it appears that the cryptocurrency ban in Vietnam will remain.

Blockchain: A Growing Curiosity

Similarly to other governments around the world, it appears - regardless of their current viewpoint toward Bitcoin - Vietnam is opening their doors to the use of blockchain technology. With a recent inaugural Vietnam Blockchain Week held from March 7th to 8th, 2018, with over 2,000 attendees, many organizations and people are learning to separate Bitcoin and blockchain from one another. More and more - albeit slowly - Vietnam's businesses are turning their heads to the extensive possibilities that blockchain offers in enhancing their businesses, especially those in the financial and services sectors.



Adopting the Technology

It was reported in February of this year that the CEO of Do Thanh Technology (DTT) - an information technology services and solutions company - Nguyen The Trung, had expressed his interest in using blockchain and big data to help with authenticating government transactions in healthcare and electronic records.

"In the future, citizens won't have to re-submit any documents they submitted once in the past at anywhere in Vietnam. Blockchain is extremely appropriate to realize the vision."
(Vietnamnet)

In 2017, even universities in Vietnam were beginning to embrace the concept of blockchain, as in April of the same year, for the first time ever, Ho Chi Minh City University of Technology partnered with a company called Infinity Blockchain Labs (IBL) to offer the first formal blockchain education program witnessed in the country.

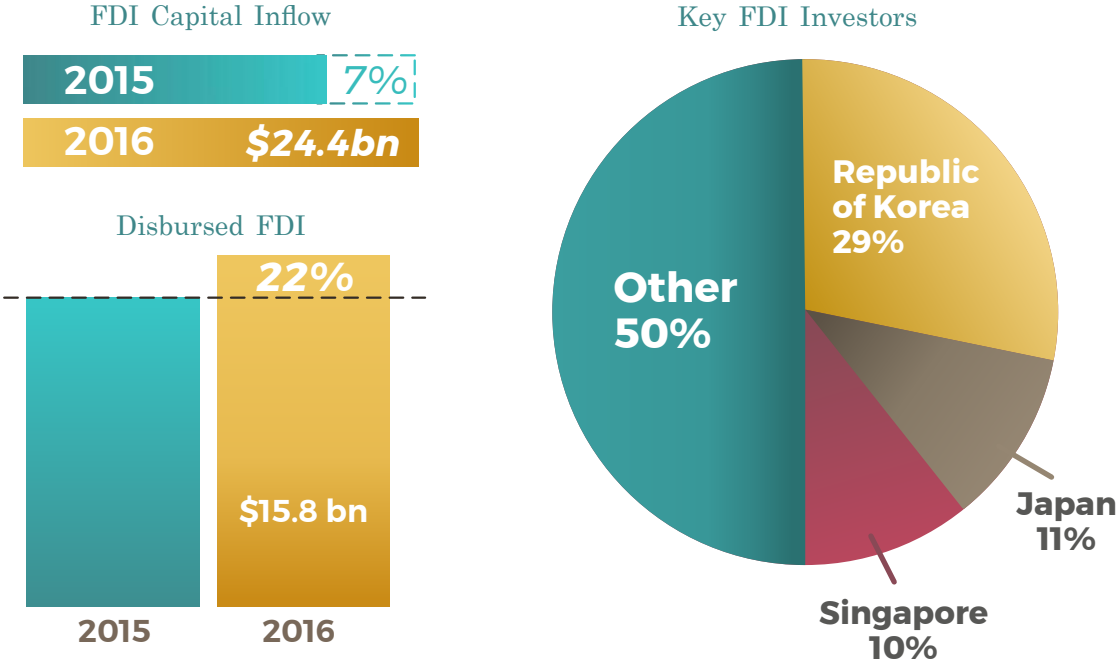


This served as a momentous event in Vietnam as the Ho Chi Minh City University of Technology is the first institution in the country to receive an ABET Accreditation (U.S. Accreditation Board for Engineering and Technology) for Computer Science & Computer Engineering, making it quite credible.

A Potential Industry Leader

There is no doubt that Southeast Asia is an emerging hub for the digital space, and among its peers, Vietnam stands at the forefront as one of the fastest growing countries in Asia. With the country being considered alongside China and India as one of the world’s highly distinguished up-and-coming IT service destinations, there have been talks as to whether or not the rising country may be a potential industry leader for blockchain technologies.

Foreign Investor



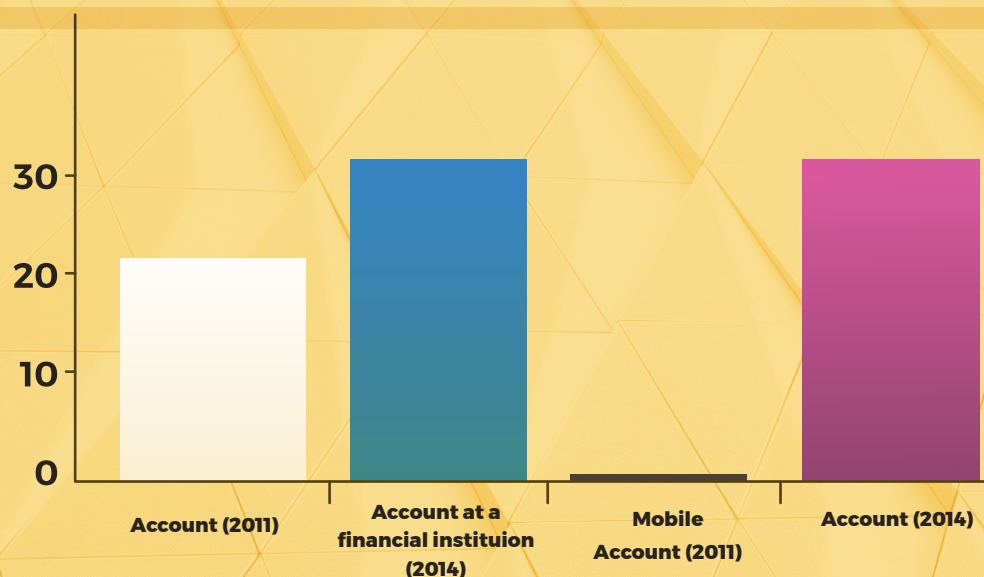
<https://www.pwc.com/vn/en/publications/2017/dbg-2017.pdf>

In terms of foreign investment, Vietnam has opened its doors tremendously, changing its laws and regulations so much so that “in recent years, the government has issued various policies to encourage enterprises and attract foreign investment.” As evident from the graphs above, most of this foreign investment has been coming from Korea, Japan, and Singapore, leading nations in terms of technology. In 2016 alone, the FDI (Foreign Direct Investment) capital inflow reached about \$24.4 billion USD.

According to the Vietnam Information Technology Outsourcing Conference, there are a myriad of reasons why the country has a lot of possibility to be an industry leader.

For one, for the past several years it has caught the attention of many big IT industry leaders and has even been established as a hub for these companies to set up base - among these titans that have stationed factories in Vietnam are: Samsung, LG, Foxcon, Canon, and Intel.

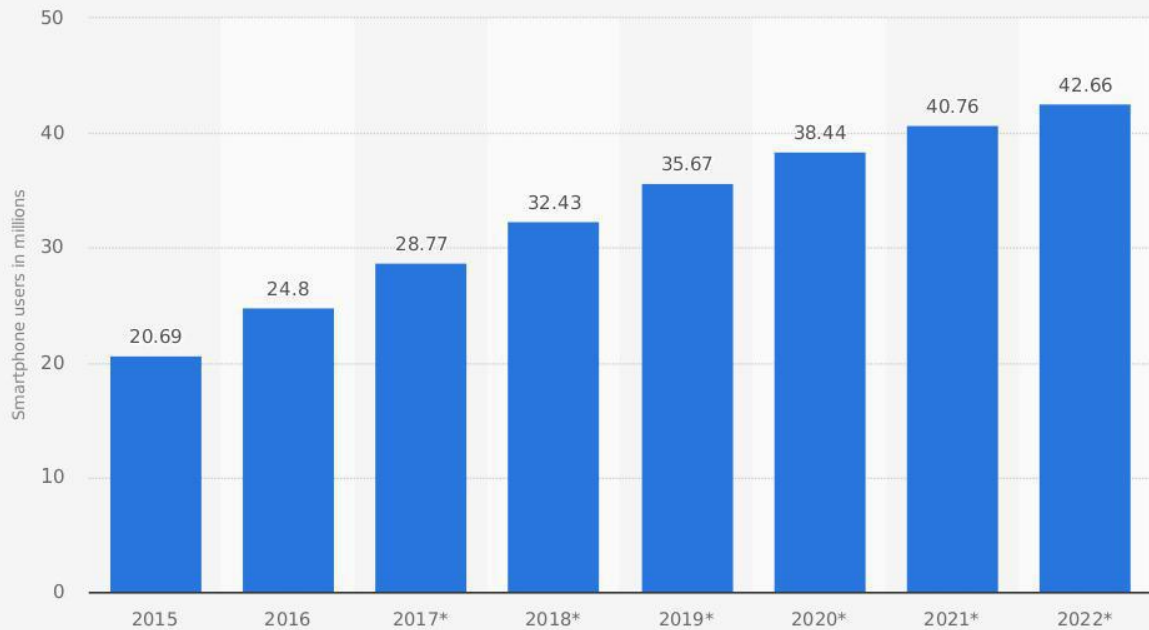
Another reason Vietnam is attracting many heads in IT is that there is strong government support, with great tax incentives, large investments into technology and software parks, and continued strategy implementation for building IT to act as a key component to national economic development. Moreover, beyond all else, what is most appealing about Vietnam is its thriving environment of young talented IT graduates (40% of 92 million in population are under the age of 25, with 60% of that population being educated and employed - over 40,000 IT graduates annually). There are over 290 universities & colleges with ICT training programs, making Vietnam a highly lucrative country for the field of information technology. Furthermore and most importantly, the cost [of living] in the country is 50% lower than Eastern Europe and 30% lower than India, making it an absolutely appealing country to be in for IT.



<http://datatopics.worldbank.org/financialinclusion/country/vietnam>

The graph above demonstrates the country's financial inclusion, showing financial account ownership of 15 years old and above, from 2011 to 2014. As evident from the blue bar, only 31% of adults held an account at a financial institution in 2014. While this has risen compared to 2011, which was at 21%, there is still much room for growth.

Number of smartphone users in Vietnam from 2015 to 2022 (in millions)*



Source
Statista DMO
© Statista 2018

Additional Information:
Vietnam; Statista DMO; 2015 to 2016; Individuals of any age who own at least one smartphone and use the smartphone.

<https://www.statista.com/statistics/467739/forecast-of-smartphone-users-in-vietnam/>



When it comes to smartphone users, however, only 20.69 million of the population were recorded to own one in 2015. This number, however, continues to increase rapidly, where by 2018 that amount will have reached 32.43 million, and by 2022, is expected to be close to 42.66 million. This continued rise demonstrates a single clear fact: Vietnam's young populace is embracing the technologies that are coming their way. That, in addition

to the rise in bank account ownership, may mean that a new emergence of financial technologies is coming to the country.

Financial
Technology

startup

ecosystem

digital
landscape

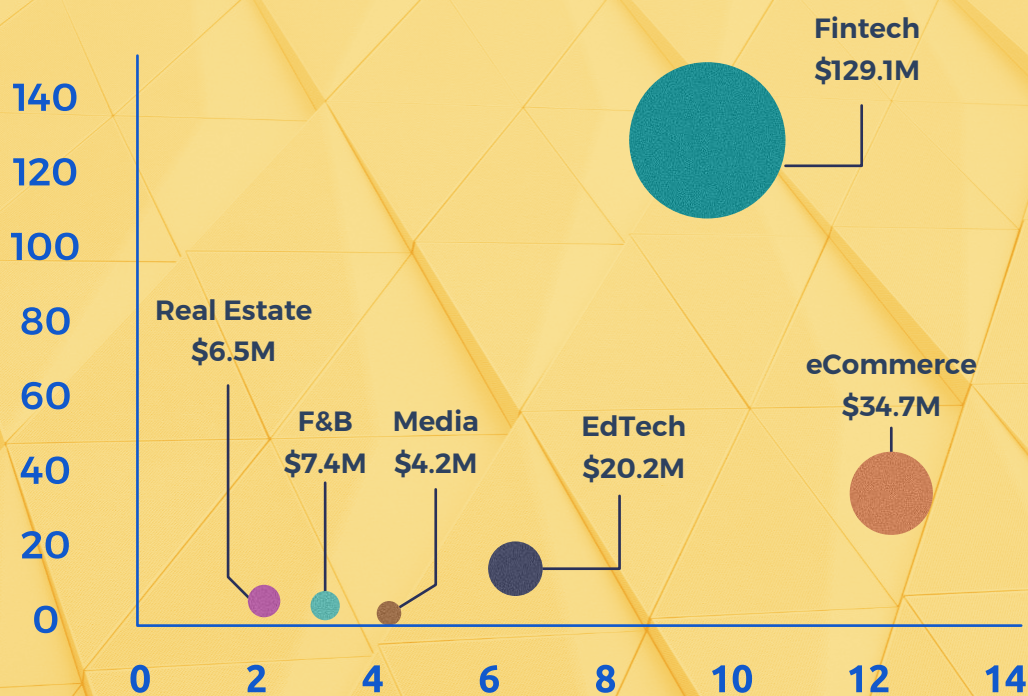
Asia

Fintech: Vietnam's Ecosystem

There is no doubt that Vietnam's digital landscape is on the rise, and along with it, so is the financial technology (Fintech) start-up market. In just the past two years alone, from 2015 to 2017, the country witnessed a surge of Fintech firms pop up, resulting in about **48 operational Fintech start-ups based in Vietnam.**

Vietnam

South East



<http://fintechnews.sg/15663/vietnam/fintech-vietnam-2017-review/>

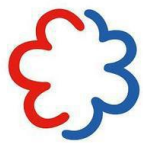
In 2017, it was reported that the Fintech industry remains as one of the strongest growing sectors in Vietnam. Compared to any other area, Fintech was seen to have made deals in the range of \$129 million USD, whereas sectors such as real estate only showed \$6.5 million, media at \$4.2 million, and even eCommerce trailing behind at \$34.7 million. [With an internet penetration of 52% and mobile subscriptions rocketing at 152%](#), it was reported that ventures like [Payoo](#) or [E-pay](#) - that aim at payment services - were among the start-ups that struck the highest in the deals.

The Government's Response

Compared to many other Southeast Asian countries, Vietnam's government has been rather receptive and encouraging at nurturing the start-up ecosystem, as well as the development of sectors through blockchain technologies. One primary example of this was seen in November 2016, when it was reported that [Vietnam's National Agency for Technology Entrepreneurship and Commercialization Development \(NATECD\)](#) had signed a [Memorandum of Understanding with Singapore's Action Community of Entrepreneurship \(ACE\)](#) to help encourage the development of start-up ecosystems through a cooperative relationship. The NATECD was a platform established by Vietnam's Ministry of Science and Technology as a way to provide training, business incubation, and assistance to startups. Besides this, there are several other government programs that Vietnam has been doing to help develop the ecosystem, such as:



NATIF - The National Technology Innovation Fund was started by the Ministry of Science and Technology back in 2015, where it aimed at helping SMEs with research and development in areas where they are weak. Although competitive, the main aim of the fund is to help small businesses refine their technologies to compete with global standards.



Innovation
Partnership
Program

IPP - The Finland-Vietnam Innovation Partnership Program is a venture capital jointly funded by the country's Ministry of Science and Technology and Finland's Ministry of Foreign Affairs (2009), aimed at promoting innovation and initiatives within the Vietnamese ecosystem. It does this by developing entrepreneurs and facilitating new startups. Broken down in two phases, the program is focused on *"building an innovation ecosystem by strengthening the institutional capacity and cooperation between stakeholders to create innovative products and services."*



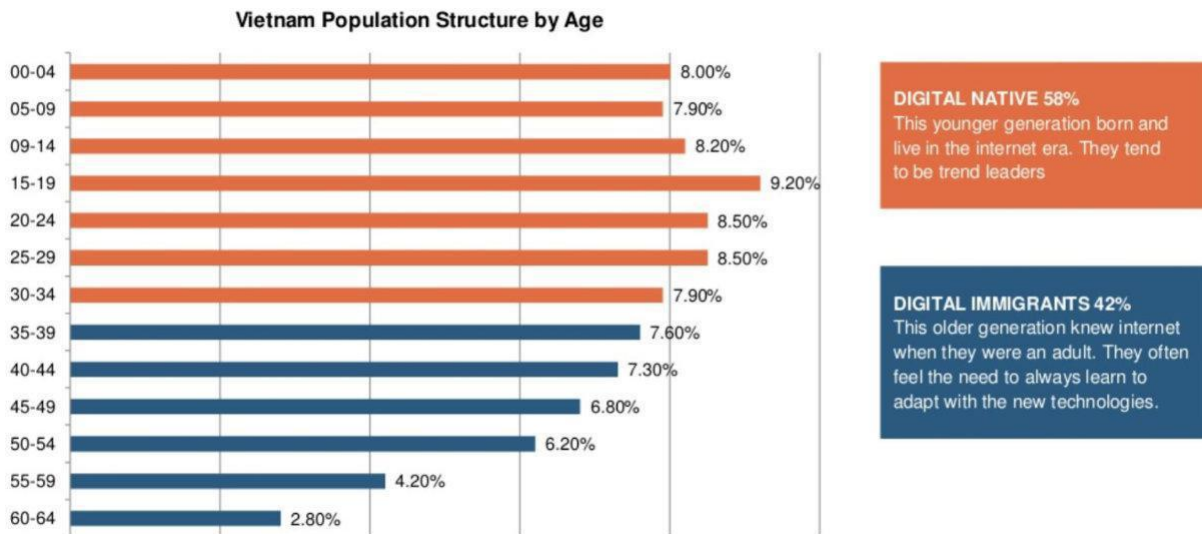
Vietnam Silicon Valley - Launched in June 2013 and established as a joint project between the Vietnamese government and the Ministry of Science and Technology, it aims at fostering a knowledge based economy and commercialization within the country. It does this by collaborating with experts around the world to gain information that can enrich the ecosystem, as well as investing \$10,000 - \$20,000 USD in start-ups for a few percentage equity stake.



FIRST - Also known as the 'Fostering Innovation through Research, Science and Technology' project. It was started in October 2013 and aims at designing Science, Technology, and Innovation policies that can better improve the community within the country. Implemented by the Ministry of Science and Technology, the project provides financing and research & development institutions for newly established companies.

The Digital Landscape

According to the Vietnam Fintech Infographic 2017 report, one of the central causes for this boom in the Fintech startup market is due to the country's **high mobile (152%) and Internet (52%) penetration rates**.

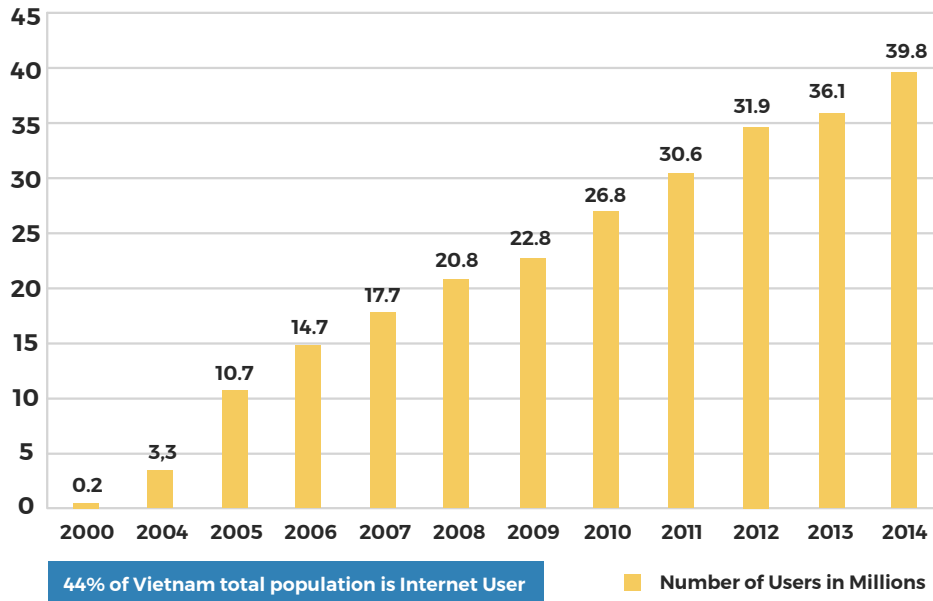


<https://www.slideshare.net/ChristianKnigl/fintech-vietnam-startups-report>

58%
population are
considered
**Digital
Natives**

Based on the graph above, we can see that 58% population are considered 'Digital Natives' (people that were born and live in the Internet era) with only 42% being 'Digital Immigrants' (older generations that knew about the Internet by the time they were an adult). This shows that a majority of the population do not need to learn or adapt to the technologies at hand, but instead have already assimilated into them, meaning that there are bound to be a higher rate of trend leaders and contemporary visionaries that will change the overall digital landscape in the coming years. From what we see above, 15 to 19 year olds are the highest percentage (9.20%) of Vietnam's population, and those that are 60-64 year olds (considered seniors) merely hold 2.80% of the entire population.

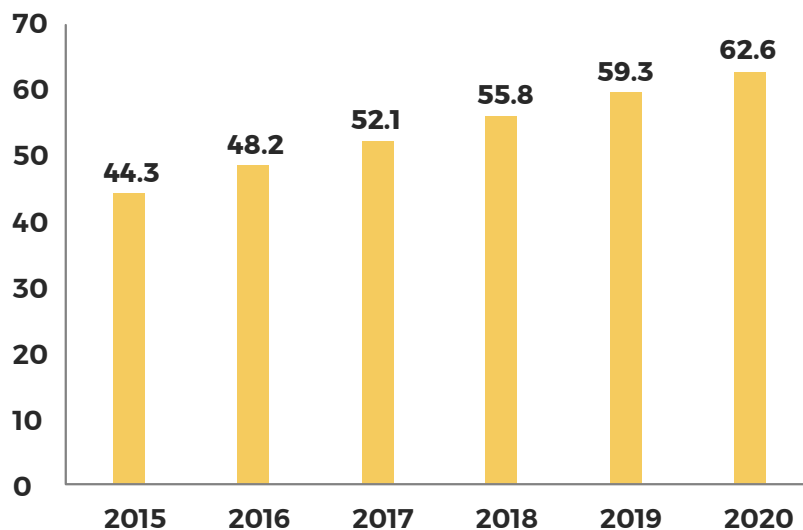
Vietnam Internet Users



<https://www.slideshare.net/ChristianKnigl/fintech-vietnam-startups-report>

As we can see, in 2004, Vietnam merely had about 3.3 million internet users, yet in a period of five years (2009), this number skyrocketed to 22.8 million. Ever since, there has been a continued increase in users, with 2013 showing about 39.8 million internet users. This number only continues to rise, with an expected internet user population of about 62.6 million to be reached by the year 2020 (as seen below).

Number of Internet Users In Vietnam from 2015 to 2020 in millions



<http://www.vietnammarcomasia/digital/vietnam-digital-landscape-2017/>

All of these numbers tell us one thing: Vietnam is a rising hub in Southeast Asia, where blockchain technology and digital media can truly thrive, if the right moves are made. Foreign investments continue to grow, and moves from the government seem positive. The launch of the SBV Steering Committee on Fintech, and members of the National Payment Corporation of Vietnam (NAPAS) who were tasked with advising on solutions to nurture the financial innovative ecosystem, along with proposing legal frameworks in fostering the development of fintech companies in Vietnam, all seem to be positive moves on the government's part. The future of the country's digital landscape may shine bright for years to come.



Get good insight
into your market
with a well
researched report
to help improve
▶ **your** ◀
business

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