

**VIETNAM'S NATIONAL RISK
ASSESSMENT ON MONEY LAUNDERING
FOR THE PERIOD 2018-2022**

Contents

LIST OF ABBREVIATIONS.....	9
PART 1: NATIONAL MONEY LAUNDERING RISK ASSESSMENT ...	15
CHAPTER 1: MONEY LAUNDERING THREATS	15
I. Threats of money laundering originated from domestic offences	17
1. Threat of money laundering originated from human trafficking.....	17
2. Threats of money laundering originated from robbery, snatching and theft of property	20
3. Threat of money laundering originated from kidnapping for ransom	21
4. Threat of money laundering originated from obtaining property by fraud 21	
5. Threats of money laundering originated from abuse of trust to appropriate property 23	
6. Threats of money laundering originated from smuggling	24
7. Threats of money laundering from illegal transport of goods or currency across the border.....	25
8. Threats of money laundering originated from manufacturing, trading and transporting banned goods	27
9. Threat of money laundering originated from manufacturing and trading counterfeit goods	28
10. Threat of money laundering originated from tax evasion	29
11. Threat of money laundering originated from usury in civil transactions 32	
12. Threats of money laundering originated from counterfeit negotiable instruments or other valuable papers.....	34
13. Threat of money laundering originated from securities crime	35
14. Threat of money laundering originated from illegal dealing in narcotic substances.....	37
15. Threats of money laundering originated from Terrorism including Terrorist Financing.....	40
16. Threat of money laundering originated from Piracy	41
17. Threat of money laundering for illegal gambling.....	42
18. Threat of money laundering originated from organizing gambling	43
19. Threat of money laundering originated from Corruption and Bribery ..	44

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20. Threat of money laundering originated from organized crime and transnational crime	48
II. Threat of cross border money laundering	51
1. Threat of money laundering from foreign countries to Vietnam.....	52
2. Threat of money laundering from domestic to foreign countries	57
III. Money Laundering Threats by Sector	60
1. Money Laundering Threats in the Banking Sector.....	60
2. Money Laundering Threats in the Securities Sector.....	62
3. Money Laundering Threats in the Insurance Sector:.....	64
4. Money Laundering Threats for Other Financial Institutions.....	65
5. Money Laundering threats in the Gaming and Casino Sector	71
6. Money Laundering Threats in the Real Estate Sector	74
7. Money Laundering Threats in the Precious Metals and Gemstones Sector	75
8. Money Laundering Threat in Investment Trust Services, Company Formation and Management Services.....	75
9. Money Laundering Threat in Accounting and Auditing Services.....	75
10. Money Laundering Threat in Legal and Notarial Services	76
CHAPTER 2. NATIONAL VULNERABILITY	78
I. Summary.....	78
II. Specific Findings.....	82
1. Policies and implementation of AML policies and strategies	82
2. Criminalize ML.....	83
3. Financial Intelligence Unit (FIU) – AMLD.....	86
4. Investigate financial crimes	89
5. Prosecution of financial crimes.....	93
6. Financial crime Adjudication.....	96
7. Assets Confiscation	98
8. Quality of Border Controls	101
9. Domestic and international cooperation	106
10. Reliable information and evidence	111
11. Effectiveness of Tax enforcement	118

III. Overall assessment results	121
CHAPTER 3. MONEY LAUNDERING VULNERABILITY OF BANKING SECTOR.....	122
I. Overview.....	122
II. Money laundering vulnerability of the banking sector	126
1. Vulnerability of general input variables	126
2. Level of vulnerability of the products/services.....	133
III. Result of assessment	145
CHAPTER 4: MONEY LAUNDERING VULNERABILITY OF THE SECURITIES SECTOR.....	147
I. Assessment of the Effectiveness of Input Variables related to AML measure implementation	149
1. AML Policies and Regulations	149
2. Quality of AML Operations in the Securities Sector.....	151
II. Vulnerability of Certain Products in the Securities Market.....	158
III. Assessment Results.....	159
CHAPTER 5: MONEY LAUNDERING VULNERABILITY OF THE INSURANCE SECTOR.....	160
1. Overview of the Results of the National Risk Assessment on AML in the Insurance Sector	160
2. Money Laundering Vulnerability in the Insurance Sector	164
3. Conclusion	175
CHAPTER 6: MONEY LAUNDERING VULNERABILITY OF OTHER FINANCIAL INSTITUTIONS	176
I. Introduction	176
1. General assessment	176
2. Methodology to determine ML vulnerability to other financial institutions 177	
3. The implementation efficiency of each other financial institution	178
II. ML vulnerability assessment to other financial institutions	186
1. Institutions receiving and making payments by foreign currency	186

2. Economic institutions acting as foreign exchange agents for credit institutions (Foreign exchange agents)	190
3. Non-Bank Credit Institutions	191
4. Microfinance Institutions (MFIs), Microfinance Programs and Projects	193
5. People's credit funds	198
6. Local Development Investment Funds	202
7. Cooperative Development Support Fund	204
8. Payment Intermediary Service Providers.....	206
9. Pawn Shops	209
10. Informal Money Transfer Channels.....	211
III. Conclusion	213
CHAPTER 7: MONEY LAUNDERING VULNERABILITY OF IN DNFBPs SECTOR.....	214
I. Gaming and Casino Business Sector for Foreigners	215
1. Introduction	215
2. Analyzing the vulnerability to money laundering in the sector of prize-based electronic gaming for foreigners and casinos	216
II. Doing real estate management service business; doing real estate brokerage service business; and real estate trading floors.	223
1. Introduction	223
2. Assessment for the Inherent Vulnerability Variables in Real Estate Service, Real Estate Brokerage, and Real Estate Trading Floors	224
3. Conclusion.....	229
III. Precious Metals and Gemstone Business Sector	229
1. Introduction	229
2. Analyzing the vulnerability to money laundering in the precious metals and gemstones trading sector	230
3. Conclusion:	234
IV. Legal Sector, Notary Publics, and Other Independent Legal Experts.	234
1.Introduction	234
2. Assessment for the Inherent Vulnerability Variables	235

3. Conclusion:	240
V. Accounting and Auditing Business Sector:	240
1. Introduction:	240
2. Assessment for the Inherent Vulnerability Variables	241
3. Conclusion:	245
VI. Trust Services Sector:	246
1. Trust Services Sector:	246
2. Corporate service sector:.....	248
3. Conclusion:	252
CHAPTER 8: MONEY LAUNDERING RISKS TO LEGAL ENTITIES, LEGAL AGREEMENTS, AND BENEFICIAL OWNERS.....	253
I. Overview.....	253
1. Purpose and Methodology of the Assessment	253
2. Legal Entities	253
3. Legal Agreement.....	263
4. Beneficial Ownership Information	265
5. Anonymous Shares, Nominal Shares, Nominal Directors.....	265
II. Assessment of Money Laundering Risks for Legal Entities, Legal Agreements.....	266
1. Level of abuse of legal entities, legal agreements for money laundering based on law enforcement data	266
2. Assessment of the level of abuse of legal entities, legal agreements for money laundering based on risk perception and open sources	269
3. Analysis and ranking of money laundering risks.....	270
III. Assessment of the damage to the abuse of legal entities, legal agreements for money laundering purposes	271
1. Assessment of stability in politics, economics, law, and the attractiveness of Vietnam as a center for establishing or forming international companies not residing in Vietnam	271
2. Assessment of the level of awareness of corruption.....	273
3. Assessment of transparency in beneficial ownership	273
4. Assessment of tax attractiveness.....	274

5. Situation of foreign investment activities in Vietnam	275
6. Evaluation of the effectiveness of national measures to mitigate the abuse of legal entities and legal arrangements for money laundering purposes	279
7. Assessing the extent of money laundering risks to legal entities and legal agreements"	283
8. Evaluation Result	285
CHAPTER 9: MONEY LAUNDERING RISK FOR VIRTUAL ASSETS	
.....	287
I. General introduction	287
1. Virtual assets	287
2. Virtual currency	288
II. Current status of virtual assets activities in Vietnam.....	289
1. Overview	289
2. The level of interest in virtual assets among Vietnamese people	291
III. Risk Assessment of AML/CFT for Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs)	293
1. Assessment of AML/CFT Risk for Security Tokens in Vietnam.....	293
2. Risk Assessment of AML for Stablecoins in Vietnam	297
3. Risk Assessment of AML for Utility VAs in Vietnam.....	300
4. Risk assessment for virtual assets platform in Vietnam	301
5. AML Risk Assessment for VASPs Offering Wallet Services, Virtual Asset Management, and Virtual Asset Investment Funds	302
IV. Conclusion	306
CHAPTER 10: MONEY LAUNDERING RISK FOR ENVIRONMENTAL CRIMES	
.....	307
I. Overview of environmental crimes in Vietnam	307
II. Analyze the threats of money laundering from environmental crimes.	308
1. Identify threats	308
2. Challenges in the fight against environmental crimes	312
III. Gap analysis	313
1. Legal provisions related to the prevention and combat of environmental crimes	313

2. Law Enforcement Capacity and Effectiveness in Environmental Crime Prevention and Financial Investigations	316
IV. Conclusion	318
PART 2: MONEY LAUNDERING AND TERRORISM FINANCING RISKS RELATED TO FINANCIAL INCLUSION PRODUCTS.....	320
I. Introduction	320
II. Legal Framework, Mechanisms and Policies	321
III. Financial Inclusion Products.....	323
1. Payment and Money Transfer Products	323
2. Microfinance products	332
IV. Findings and conclusions.....	339
1. Payment and money transfer products	339
2. Microcredit Products.....	340

LIST OF ABBREVIATIONS

Abbreviations	Full terms
APG	Asia-Pacific Group on Money Laundering
CC	Criminal Code
CIC	Vietnam National Credit Information Center
AML Dept.	Anti-Money Laundering Department
IE	Insurance Enterprises
DNFBPs	Designated Non-Financial Businesses and Professions
AFs	Auditing Firms
WL	Wildlife
FATF	Financial Action Task Force on Money Laundering
AMLL	Anti-Money Laundering Law
MOU	Memorandum of Understanding
NHNN	SBV
CB	Commercial Banks
NRA	National Risk Assessment
ALM	Anti-Money Laundering
PCF	People's Credit Funds
ML	Money Laundering
STRs	Suspicious Transaction Reports
SPC	Supreme People's Court
EO	Economic Organizations
CI	Credit Institutions

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Abbreviations	Full terms
MF	Microfinance
PI	Payment Intermediaries
PA	Payment Accounts
OC	Organized Crime
TC	Transnational Crime
SM	Stock Market
TF	Terrorism Financing
CP	Cashless Payments
FPWMD	Financing the Proliferation of Weapons of Mass Destruction
SSCV	State Securities Commission of Vietnam
UNODC	United Nations Office on Drugs and Crime
VAs	Virtual Assets
VASPs	Virtual Asset Service Providers
SPP	Supreme People's Procuracy
WB	World Bank
WCS	Wildlife Conservation Society

PREFACE

Vietnam has demonstrated high-level political commitment from the Party and the Government to join the international community in the fight against money laundering, which is reflected in: a relatively comprehensive legal framework for Anti-Money Laundering (AML); active and effective operations of the National Steering Committee on Anti-Money Laundering (Steering Committee)¹ in performing tasks assigned by the Prime Minister to direct and coordinate activities among ministries and sectors; close cooperation between government agencies and the private sector; and international cooperation in AML.

1. In fulfilling its role in national AML leadership and coordination, the Steering Committee has promptly issued numerous directives to implement AML tasks based on the nature and scale of the economy and the results of AML activities nationwide. Particularly noteworthy is the issuance of the National Action Plans on AML, most recently the National Action Plan on Anti-Money Laundering, Terrorism Financing, and Financing the Proliferation of Weapons of Mass Destruction (AML/CFT/CPF) for the period 2021-2025 (issued alongside Decision No. 941/QĐ-TTg on August 5, 2022). These National Action Plans not only demonstrate the Party and Government's strong commitment to AML and the broader fight against crime but also play a crucial role in guiding and implementing AML efforts in Vietnam. Through the issuance and implementation of national action plans on AML/CFT/CPF and the amendment of relevant legal documents, it is evident that the Government is committed to developing and refining an effective AML/CFT mechanism with the following key objectives:

- Building an effective AML/CFT/CPF mechanism in Vietnam for peace, stability, development, and integration, thereby enhancing Vietnam's reputation and standing in the international community.
- Fulfilling Vietnam's obligations as a member of the Asia-Pacific Group on Money Laundering (APG).
- Best protecting the interests of the nation, organizations, and individuals within the economy, contributing to the prevention of corruption, money laundering, TF/FPWMD, and enhancing the stability of financial institutions and other reporting entities, thereby ensuring national security, safety, and social order while promoting economic growth.

2. In implementing the National Action Plan on Anti-Money Laundering and Terrorism Financing for the period 2015–2020 (issued alongside Decision No. 2112/QĐ-TTg on November 25, 2014, by the Prime Minister), the State Bank of

¹ The Steering Committee was established under Decision No. 470/QĐ-TTg dated April 13, 2009, by the Prime Minister and was replaced by Decision No. 581/QĐ-TTg dated August 5, 2022. The current Chairman of the Steering Committee is Deputy Prime Minister Lê Minh Khái, with its members being the leaders of 15 relevant ministries and sectors. The State Bank of Vietnam (SBV) serves as the Standing Body of the Steering Committee.

Vietnam (SBV) and the Ministry of Public Security, in collaboration with relevant ministries, sectors, and agencies, conducted the National Risk Assessment on Money Laundering and Terrorism Financing (NRA) for the period 2012-2017, with the participation of government agencies and the private sector in line with Recommendation 1 of the Financial Action Task Force (FATF²) to identify, assess, and understand Vietnam's money laundering and terrorism financing risks.

Based on the NRA results, on April 30, 2019, the Prime Minister signed Decision No. 474/QĐ-TTg issuing the National Action Plan on Anti-Money Laundering and Terrorism Financing to address the money laundering and terrorism financing risks identified in the national risk assessment. The NRA findings have been widely disseminated to help the private sector understand national money laundering and terrorism financing risks as well as sector-specific and industry-related risks. This also provides a foundation for industries and sectors to identify AML/CFT measures to mitigate identified risks and strengthen necessary preventive measures. At the government level, the NRA ensures that the Government can make decisions or formulate policies to address money laundering and terrorism financing risks appropriately over time, making the continuous update of risk assessments to keep the risk profile current essential.

3. Since the first risk assessment for the period 2012-2017, Vietnam's AML/CFT efforts have made significant progress. The legal framework, policies, and plans regarding AML/CFT have continued to be refined. With the enactment of the 2015 Criminal Code (amended and supplemented in 2017), the Supreme Court's resolutions guiding the implementation of Article 299 – Terrorism Crimes, Article 300 – Terrorism Financing Crimes, and Article 324 – Money Laundering Crimes of the 2015 Criminal Code, the amended AML Law No. 14/2022/QH15 in 2022 has helped address deficiencies compared to international standards, providing a crucial foundation for the effective implementation of AML/TF. Ministries, sectors, and related agencies have implemented AML policies and strategies with certain results.

Money laundering activities are explicitly defined in the Criminal Code with penalties strong enough to deter both individuals and legal entities. The legal framework for asset forfeiture and confiscation continues to be studied and improved by the competent authorities. The Ministry of Justice has been coordinating with

² The Financial Action Task Force (FATF) is an intergovernmental organization that establishes standards to effectively implement legal, regulatory, and operational measures to combat money laundering, terrorist financing, proliferation financing, and other related threats that undermine the integrity of the global financial system. In 2004, FATF first introduced the 40+9 Recommendations, consisting of 40 Recommendations on Anti-Money Laundering (AML) and 9 Special Recommendations on combating terrorist financing. In February 2012, FATF revised and consolidated the 40+9 Recommendations into a new set of 40 Recommendations, which focus on AML, combating terrorist financing, and countering the financing of the proliferation of weapons of mass destruction. These 40 Recommendations are now the universally recognized international standards for AML/CFT/WMD financing. Currently, over 200 countries and territories, including Vietnam, have committed to implementing FATF's Recommendations. (Source: [FATF website](#)).

other ministries and sectors to research a non-conviction-based asset forfeiture mechanism.

The Steering Committee continues to play a critical role in directing AML activities through the issuance and implementation of National Action Plans on AML.

With the determined leadership of the Party and Government, competent authorities continue to implement measures to strengthen investigations, prosecutions, and adjudications of money laundering crimes, and to confiscate and recover assets, particularly in corruption cases. Issues related to the capacity and resources for investigating, prosecuting, and adjudicating financial crimes, as well as the transparency and independence of investigators, prosecutors, and judges, have largely met the requirements set forth.

4. As a member of the APG³, Vietnam is committed to implementing international standards on AML/CFT/CPF (the 40 FATF Recommendations); committing to participating in APG's mutual evaluations according to the FATF evaluation methodology. Since becoming a member, Vietnam has undergone two mutual evaluations by the APG (in 2008 and 2019).

In 2019, the APG conducted a mutual evaluation of Vietnam's AML/CFT/CPF mechanism. In the APG's mutual evaluation report on Vietnam, the APG acknowledged that Vietnam's AML/CFT mechanism had improved significantly since the last mutual evaluation (in 2009). However, there are still substantial technical deficiencies in the AML/CFT/CPF mechanism that require further improvements.

Regarding the National Risk Assessment on Money Laundering and Terrorism Financing, according to the APG: *"The NRA report forms the basis for understanding Vietnam's perceived AML/CFT risks. The NRA identified Vietnam's overall money laundering risk as Medium-High and terrorism financing risk as Low. However, the scope of the NRA report still has shortcomings, as it does not evaluate all predicate offenses designated by FATF and does not assess risks related to foreign trusts allowed to operate in Vietnam. Some categories of predicate offences were not assessed as they do not occur in Vietnam or there was insufficient information available, which suggests further analysis is needed on all predicate offences. The assessment team notes that the ML threat and risk assessment on some of the predicate offences and sectors lacked deeper analysis and consideration of a wider range of data, which may impact the assigned risk ratings. The assessment relies on measurable quantitative data, with limited qualitative judgment with due consideration of context and materiality"*.

Based on its evaluation results, the APG made recommendations for Vietnam to improve its legal framework and enhance the effectiveness of the AML/CFT/CPF

³ Vietnam became the 34th member of the Asia Pacific Group on Money Laundering (APG) in 2007.
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mechanism, including *updating risk understanding through supplementary AML/CFT risk assessments, specifically those on organized crime, human trafficking, sexual exploitation, illicit goods or currency transportation across borders, and environmental crimes, as well as sector-specific assessments (for virtual assets (VAs) and virtual asset service providers (VASPs), foreign trusts, casinos, precious metals and stones trading, lawyers, notaries, and other independent legal professionals)*. When conducting these assessments, a broader range of information should be considered, including *intelligence analysis, strategic analysis, domestic and international reports/studies*. Based on the current and future risk assessment findings, Vietnam needs to develop comprehensive national policies and sectoral plans on AML/CFT corresponding to the identified risks.

On August 5, 2022, the Prime Minister of Vietnam issued the National Action Plan on Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF), and Counter-Proliferation Financing (CPF) for the period 2021-2025, under Decision No. 941/QĐ-TTg. This National Action Plan mandates *“the updating of Vietnam's National Risk Assessment on AML/CTF for the period 2018-2022 and the development of an Action Plan to address the AML/CTF risks identified in the National Risk Assessment results”*. In addition, the 2022 AML Law stipulates the responsibility for conducting a national risk assessment on money laundering. Based on these requirements, from early 2022, the SBV led the coordination with relevant ministries, sectors, associated agencies, and private sector organizations in Vietnam to carry out the national risk assessment on money laundering for the 2018-2022 period.

At the FATF Plenary held in Paris, France, from June 19-23, 2023, Vietnam was officially placed on the FATF's "Increased Monitoring List," also known as the "Grey List." FATF required Vietnam to address strategic deficiencies in its AML/CTF/CPF mechanisms during the 2023-2025 period. Being on this list, Vietnam is committed to implementing a FATF-designated National Action Plan that includes 17 major actions, which involve complex legal framework amendments and demonstrating effective implementation within a short timeframe (within two years). In accordance with the National Action Plan that Vietnam signed with FATF, and based on feedback from the APG Secretariat, the SBV collaborated with relevant ministries and sectors to advise on and submit the proposal for the National Action Plan on AML/CTF/CPF to the Prime Minister. The national risk assessment on money laundering for the 2018-2022 period also aims to meet the requirements of the FATF-designated National Action Plan.

PART 1: NATIONAL MONEY LAUNDERING RISK ASSESSMENT

CHAPTER 1: MONEY LAUNDERING THREATS

This section details the picture of the nature and scale of the most prevalent crime in Vietnam that create money laundering threats. Paragraph 11 of APG Mutual Evaluation Report on Vietnam published in 2022 stated: *"The assessment team noted that there were gaps in the scope of the NRA⁴ as it did not consider all of the FATF designated categories of offences. Some categories of predicate offences were not assessed as they do not occur in Vietnam or there was insufficient information available, which suggests further analysis is needed on all predicate offences. In particular on the missing categories of predicate offences, which include organised crime and sexual exploitation, including of children"*.

The APG Mutual Evaluation Report on Vietnam published in 2022, the overview of ML/TF Risks the risks and context section stated: *"5. Vietnam is exposed to a range of ML threats. Continuing economic growth and diversification, increased international trade and a long and porous land border suggest Vietnam's exposure to illicit finance is increasing and is expected to continue to do so in coming years. According to estimates from Global Financial Integrity, the 2015 value of both illicit inflows into Vietnam and outflows from Vietnam was over USD 9 billion (inflows 9.7 billion and outflows 9.1 billion).*

7. Sources of illicit funds include public corruption, remittances from Vietnamese organised crime groups, fraud, gaming, prostitution, counterfeiting of goods, trafficking in persons, drugs, wildlife, and related commodities. Vietnam remains a predominantly cash-based economy with high-value items often purchased with cash, including real estate and luxury vehicles. The occurrence of customs fraud and the over and under-invoicing of exports and imports could be indicators of trade-based ML

22. Vietnam is a largely cash-based economy surrounded by other neighboring cash-based economies (Cambodia and Lao PDR). The World Bank indicates that 31% of the adult population had a transaction account in 2017, and 23% were transacting electronically. 69% of adults paid bills in cash in 2017 (down from 92% in 2014).

In conducting this National Risk Assessment, Vietnam's competent authorities have reviewed and assessed the threat of money laundering originated from all types of predicate crimes. Based on the assessment result, Vietnam's National Risk Assessment Report for the period 2018-2022 will present the threat of money laundering for some prevalent predicate offences as follows:

⁴ The National Risk Assessment Report on Money Laundering and Terrorist Financing in Vietnam for the period 2012-2017 (approved by the Prime Minister under Decision No. 474/QĐ-TTg dated April 30, 2022)
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Based on the assessment results, after considering all the threats created by the prevalent predicate offences, money laundering trends and techniques, the risk of money laundering in Vietnam is rated at **MEDIUM HIGH**.

The table below summarizing the money laundering risk of predicate offences:

LOW	MEDIUM LOW	MEDIUM	MEDIUM HIGH	HIGH
Group of crimes of robbery or theft of property (Robbery, snatching and theft of property)	1. Crime of producing and trading counterfeit goods	1. Crime of abuse of trust and appropriation of property	1. Crime of tax evasion	1. Crime of fraudulent appropriation of property
2. Crime of Kidnapping for ransom		2. Group of securities crimes (Provision of false information or concealment of information in securities activities, Use of internal information for trading securities, Manipulation of securities market, Forging documents in offering or listing profile)	2. Crime of human trafficking	2. Crime of illegal drug trading
3. Crime of manufacturing, trading and transporting banned goods			3. Crime of smuggling	3. Crime of embezzlement
4. Group of crimes of making counterfeit money and		3. Crime of usury in civil transactions	4. Crime of illegally transporting goods and	4. Crime of receiving bribery

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counterfeit negotiable instruments			currency cross borders	
5. Crime of terrorism			5. Crime of illegal gambling	5. Crime of abusing position and power to appropriate property
6. Crime of financing terrorism			6. Crime of organizing gambling	
7. Crime of piracy			7. Organized crime, transnational crime	

I. Threats of money laundering originated from domestic offences

1. Threat of money laundering originated from human trafficking

Currently, regulations on human trafficking prevention are stipulated in many different documents. Vietnam has joined the Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime and joined the ASEAN Convention Against Trafficking in Persons (ACTIP) , signed bilateral agreements with China, Thailand, Laos, Cambodia... on prevention and combating human trafficking. In the Penal Code, human trafficking and child trafficking have been regulated and become one of the effective tools for authorities to use in preventing crimes of human trafficking and child trafficking.

In APG's 2019 Mutual Evaluation Report on Vietnam's anti money laundering and counter-terrorist financing measures stated: " Vietnam is a source, transit, and destination country for human trafficking. In addition, there are numbers of domestic and international reports, including the 2019 US Trafficking in Persons Report and UNICEF Report on Child Sexual Abuse 2019 among others, that suggest Vietnam is highly vulnerable to human trafficking and the trafficking is mainly for the purpose of modern slavery including sexual exploitation, which may suggest the risks

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associated with human trafficking are higher than assessed in the **NRA period 2012-2017**".⁵

The United Nations Office on Drugs and Crime (UNODC) and the International Criminal Police Organization (Interpol) confirmed that in recent years, the Asia-Pacific region, especially the States of In the Mekong River region (including Vietnam), the situation of human trafficking crimes is very complicated.

In Vietnam, in recent year, human trafficking offence trend have been rising in some areas with more sophisticated and cunning tricks and there has been close collusion between domestic and foreign offenders. Common tricks are taking advantage of marriage brokers (14%); abuse the working abroad broking service (14.5%); Other tricks (71.6%). Domestic human trafficking has tended to increase sharply in recent years. Previously, in the period 2012-2020, human trafficking was mainly trafficking abroad (accounting for over 85% of cases); Recently, there have been more and more human trafficking cases happened in the country. From 2018 to 2022, the number of domestic human trafficking cases accounts for about 33% of total human trafficking cases (in 2022 alone, this number was over **45% of the total cases**)⁶. The purpose of the crime is sexual exploitation, forced labor, taking body parts or for other inhuman purposes.

This is a highly "hidden" crime that occurs in most localities, with a concentration in some border provinces, especially the northern mountainous provinces adjacent to China. The victims are mainly women and children, most of whom belong to ethnic minorities, lived mainly in rural and mountainous areas, especially remote areas and have difficult economic circumstances. Most of the victims are women, when they are tricked into being sold abroad, forced to marry local people, sexually exploited, and forced into labor. Vietnamese women marrying foreigners is a social reality, a need of a part of the people and is recognized and protected by law, however many people have taken advantage of the illegal marriage activities. foreign elements to carry out human trafficking acts. Most of the victims were taken to countries such as China, Taiwan, Korea, and Japan. They enter foreign labor markets or enter into fake marriages with foreign nationals arranged by traffickers or organized crime gangs. Many are deceived about labor opportunities and then sold to brothels or some Vietnamese women go abroad to get married or to work in restaurants, massage parlors, bars and become subject to forced labor or human trafficking for sexual purposes. Traffickers are increasingly using it to lure young women into making promises, persuade them to go abroad, and then turn them into human trafficking victims for the purpose of forced labor or prostitution.

Human traffickers continuously change their methods and tactics and form many transnational chains and gangs with increasingly complex scale and nature.

⁵ The NRA report for the period 2012-2017 rated money laundering threats from human trafficking as Medium.

⁶Document No. 2247/KN-UBTP15 dated June 20, 2023 of the National Assembly's Judicial Committee recommends compliance with the law on human trafficking prevention and combat.

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Nearly 85% of human trafficking cases go abroad, focusing mainly through the borders between Vietnam and Cambodia, Laos and China, of which, going to China accounts for the majority of about 75%. Most of the offenders are those who have gone abroad before like participating in labor export or even have been victims in human trafficking rings or have relationships with relatives from abroad...

In 5 years (from January 1, 2018 to December 31, 2022), across the country, there have been 394 human trafficking cases with 837 violated individuals being detected, of which 386 cases with 808 individuals were criminally handled. The border guards have transferred to the competent investigation agency 54 cases involving 68 individuals. Victims in human trafficking cases are mainly women (accounting for 73%), children under 16 years old (accounting for 17.5%), victims of sexual exploitation (4.8%), forced labor (33.5%), having body parts taken (1%), and for other inhumane purposes (60.7%) accordingly⁷. Information from the standing agency of the Government's Crime Prevention and Control Steering Committee, in the first quarter of 2023, the competent agencies discovered and investigated 56 cases/150 individuals committing human trafficking crimes, identified that there were 118 victims in cases, an increase of 32 cases/104 individuals compared to the same period in 2022. The execution rate for this type of crime is medium high. However, Vietnam is being considered a hot area for human trafficking and illegal migration in the Mekong sub-region with estimated profits from human trafficking reaching tens of billions of USD per year. ⁸.

Human trafficking acts in Vietnam aiming at economic profit. The Ministry of Public Security has identified super profits from many cases: a transnational organ trading ring operating from 2017-2019 that sold kidneys of hundreds of victims gaining tens of billions of VND was detected, some organized crimes taking women to China for surrogacy for 400-500 million VND... have been detected. Crime of human trafficking in Vietnam is for economic profit, however, for many single human trafficking cases, the amount of illegal profits gained is not much as after deducting the costs of bringing the victim from Vietnam to the place of reception, exploitation, the profits earned is around 5 to 10 million VND and mainly spend it on personal activities.

Recently, through information sharing, cooperation with foreign partners (Police cooperation), the authorities of Vietnam and some related countries such as Cambodia have promptly detected and successfully coordinated to rescue victims; arrest the masterminds and instigators of rings involving human trafficking or sending people across the border and illegally entering Cambodia to do forced labor at casinos. Specialized units of the Ministry of Public Security (Criminal Police Department) being responsible for the fight against human trafficking crimes have

⁷Document No. 2247/KN-UBTP15 dated June 20, 2023 of the National Assembly's Judicial Committee recommending on the compliance with the law on prevention and combating human trafficking

⁸ Criminal Police Department (Ministry of Public Security) .

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implemented programs, plans, and projects on preventing and combating human trafficking, coordinating with foreign agencies of countries where large numbers of Vietnamese people are trafficked to. Therefore, the human trafficking trend will not increase in the near future.

Conclusion

It can be seen that, besides single cases, there are potential organized human trafficking rings with super profits, posing a potential risk of money laundering. Therefore, threat of money laundering originated from human trafficking crimes is rated at MEDIUM HIGH.

2. Threats of money laundering originated from robbery, snatching and theft of property

2.1. Robbery (Article 168)

Regarding this crime, there have been emerging cases related to bank robberies. The number of bank robberies at branches have been increased, with the value of assets often reaching hundreds of millions of Dongs. Compared to other types of predicate crimes of money laundering, in the period from 2018 to 6/2022, investigation data for property robbery (Article 168) is at an average level. However, most bank robberies are then arrested by security forces and the stolen money is recovered immediately afterward.

The Ministry of Public Security has issued a number of recommendations and solutions to prevent and fight against this type of crime.

2.2. Snatching (Article 171)⁹

In the period from 2018 to the first 6 months of 2022, according to statistics from the Supreme People's Procuracy, the offence of snatching tends to decrease in number of cases. The perpetrators of the crime are mainly playboys or drug addicts with no jobs. Compared to other types of predicate offence, in the period 2018 - the first 6 months of 2022, there has been a high investigative number for property crime (Article 171)¹⁰. The property being robbed was mainly phones, necklaces, and handbags, so the value of the property was not high and the offence mainly happened in Ho Chi Minh city.

The value of the property stolen is not high and criminals tend to use the money and property obtained for personal consumption purposes.

2.3. Theft of property (Article 173)

⁹Based on the theory and practice of investigation and adjudication of this crime, property robbery can be understood as an act with the following characteristics and signs: - Quickly and openly snatching property in hand another person or while the responsible person is managing the property; Quickly escape after snatching property. Property robbers take advantage of the vulnerability of property owners and managers to quickly take property and flee.

¹⁰Source: Ministry of Public Security, Supreme People's Procuracy
[Type here]

Theft of property in Vietnam in recent years have tended to decrease in the number of cases and the value of property stolen. Currently, there has been only theft of motorbikes parked on the street and sidewalks. The professional subject committed the offence was detected, investigated and arrested by the Criminal Police Force of the Ministry of Public Security (Criminal Police Department) in coordination with local police. This type of crime tends to be in a down trend in the coming years.

The value of money and property involved in property thefts is not of high value.

Conclusion

The threats of money laundering for robbery, snatching or property theft are rated LOW.

3. Threat of money laundering originated from kidnapping for ransom

Kidnapping for ransom in Vietnam account for a very low proportion in the structure of criminal crimes (0.1%) and tended to decrease in recent years. Most kidnappers haven't been able to ransom after committing the crime.

Conclusion

Threat of money laundering originated from kidnapping for ransom is rated LOW.

4. Threat of money laundering originated from obtaining property by fraud

Criminals who obtaining property by fraud are becoming increasingly diverse with more sophisticated tricks. Some typical criminal tricks of this type of crime are as follows:

Firstly, in the banking sector, cases of fraudulent appropriation of assets are increasing, and the value being appropriated also very high. Common tricks include criminals forging bank leaders' signatures to make fake guarantees, forging payment orders, and using bank seals to make false stamps, then the person outside the bank used a fake guarantee certificate to write the customer's name.

Second, some other forms of fraud in the banking sector such as: Installing skimming devices to steal card data at ATMs, printing fake cards and appropriating money from customers' cards; asking customers to accessing fake websites to get information about usernames, passwords, OTPs and making money stealing orders via internet banking; Criminals impersonating police call and threaten customers, request money to be transferred to a designated account to serve the investigation, then take over the administration of the user's bank account and take all the money in accounts.

Notably, competent authorities have detected the criminal trick of buying and selling personal information accounts for fraud, appropriating assets and selling personal information and bank accounts to scammers.

Third, criminals techniques include of taking advantage of high technology to commit fraud and appropriation of property through e-commerce platforms and social networks.

Four, criminals using techniques of obtaining property by fraud have emerged recently through the issuance of corporate bonds. Accordingly, the criminals committed fraudulent acts in issuing and buying, selling bonds to appropriate thousands of billions of dongs from the people. Money and assets obtained from this type of crime are often used by criminals to invest in projects, thus posing a significant risk of money laundering.

Fifth, fraudulent property appropriation in the real estate sector is quite common in big cities, whereby criminals have used the trick of creating "unreal" projects then divide the land areas of projects into parts to sell in order to fraudulently appropriate investment money. In some cases, criminals also conducted investment application procedures like real projects, creating activities to request investment licenses and call for investment to make many people believe. Then give them papers and assets, but in reality, there are no investment projects.

Based on the above content, it can be seen that recently, fraud and property appropriation crimes have tended to increase in the fields of finance, banking, real estate, and corporate bond issuance; Criminals are people with social positions, business owners who establish crime rings, with sophisticated tricks and the value of criminal proceeds is often large or exceptionally large. Local police (Hanoi, Ha Tinh, Thua Thien Hue, Bac Giang, Nghe An, Quang Binh, Quang Nam...) discovered and detected many property fraud rings with thousands of victims, some Hundreds of billions of dongs were appropriated.

Compared to other types of predicate offences of money laundering, in the period 2018 - the first 6 months of 2022, the investigation number for property appropriation fraud (Article 174) is at a very high level prosecution of this type of crime is at a very high level. Adjudicated cases reached a rate of 95% of the total number of prosecuted cases, which is also a very high rate in the period 2018 - 2022.

Also, in the period 2018 - June 2022, the amount of money to be executed was the lowest in 2019 and the highest in 2021.

However, the execution rate is still not high. The reason is because this type of crime is often sophisticated, cunning and prepared in advance, using every tricky method to hide criminal assets, making it difficult to detect, investigate and trace assets or criminals might "cleverly" transferred, or sold to others, making it difficult for civil enforcement.

Recently, typical cases of obtaining property by fraud were Tan Hoang Minh or Van Thinh Phat. In these cases, the criminals committed fraudulent acts in issuing, Buying and selling bonds against the law to appropriate thousands of billions of dong from people but not using them for business activities in line with bond issuance documents. The defendants and individuals in the above case own or authorize relatives to own many assets such as real estate and land in provinces and cities.

Regarding the investigation of money laundering crimes originated from property fraud, the Ministry of Public Security of Vietnam has conducted: (i) investigation 2 money laundering cases with the blocked amount of VND 7.850 million in 2019, (ii) investigation 5 money laundering cases with a blocked amount of VND 500 million in 2020 and (iii) investigation 3 money laundering cases with a blocked amount VND 2.438 million in 2021. In the period 2018-2022, there has not been any case being adjudicated for money laundering originating from obtaining property by fraud.

According to statistics from the Anti Money Laundering Department, in the period from 2018 to June 2022, the Anti Money Laundering Department transferred 92 suspicious transaction reports (STRs) suspected of being related to obtaining property by fraud to competent authority.

Conclusion

The number of investigations, prosecutions and convictions is quite high; the amount of money being executed is very large. There have been 10 cases being investigated for money laundering originated from obtaining property by fraud. Although there have been no prosecutions for money laundering, the value of misappropriated assets is increasing, leading to a threats of money laundering originating from obtaining property by fraud.

With the above analysis, the threat of money laundering originated from this crime is rated HIGH.

5. Threats of money laundering originated from abuse of trust to appropriate property

This crime mainly involves individuals and legal entities in the private and banking sector. This crime happens mostly within the country, there are not many crimes originated from outside. Main type of this crimes in practice often being committed by abusing of trust between individuals or between individuals and legal entities, for example: abuse of trust acquiring property through playing “hui”; acts of appropriating property through custody of assets, acts of appropriating property through contracts... and criminals often after receiving legal contracts and agreements commit acts of appropriation.

The main criminal techniques are: fraud, fleeing after receiving property with the intention of not paying or returning the property; using property for illegal purposes leads to the inability to return the property to the owner. According to the [Type here]

assessment of criminologists, in recent years, crimes of trust abuse to appropriate property have risen rapidly with increasingly sophisticated tricks, the number of victims per cases is greater and property is lost. appropriation is a particularly large number.

Compared to other types of predicate offences of money laundering, in the period 2018 - the first 6 months of 2022, investigation data for the crime of abuse of trust and appropriation of property (Article 175) is at a high level with an average adjudication rate and the trial rate account for 98% among the total prosecuted cases. The amount of money required to be executed for this type of crime is relatively large.

In the period 2018-2022, there have been no cases of money laundering originating from the crime of abuse of trust and appropriation of property.

Conclusion

With the above analysis, the threats of money laundering originated from the crime of abuse of trust and appropriation of property is rated MEDIUM.

6. Threats of money laundering originated from smuggling

Taking advantage of Vietnam's geographical position at the border, border gates and open trails, in the North smuggled goods are mainly groceries and consumer goods (clothing, shoes...), herbal ingredients while in the Southern border smuggled goods that emerged were sugar, cigarettes, electronics, and refrigeration On the air route, smuggled goods are mainly high-value goods such as gold, jewelry, mobile phones, medicines, cosmetics, functional foods, branded goods... in the form of consigning goods or luggage to be illegal imported.

Smuggling, trade fraud and counterfeit goods takes place in the form of hand carrying, small transportation, through trails, open paths, transactions, exchange of goods among border residents..., with a tendency to decreased sharply, violators tend to turn to abuse legal entities and take advantage of guidelines and policies to facilitate trade, simplify administrative procedures and encourage investment attraction from the establishment stage, business management, signing commercial contracts, customs declaration, customs clearance and post-inspection to smuggle, commit trade fraud and counterfeit goods on a larger scale with more sophisticated methods and tricks. Specifically, common acts such as not declaring customs, incorrectly declaring name, quantity, type, value and origin of goods, breaking seals and dispersing goods on the way of transportation, smuggling after temporarily importing, re-exporting, transiting, dividing goods into small pieces, contracting transportation, importing goods that do not meet standard conditions, regulations... to violate.

The purpose of smuggling criminals is to avoid import taxes, fees and consume prohibited imported goods. Profits from smuggling activities are based on the price difference between foreign production costs and domestic prices. Profits gained from is especially high. Organized criminals engage in smuggling activities through the [Type here]

establishment of distribution networks and payment channels to wholesale and retail agents.

Deputy Prime Minister Truong Hoa Binh, Head of the Government's Steering Committee for Crime Prevention and Control (Steering Committee 138/CP) and the National Steering Committee against smuggling, trade fraud and counterfeit goods (Steering Committee 389 National) commented: "The situation of crime, smuggling, trade fraud, and counterfeit goods is still complicated due to many objective and subjective reasons, including lack of responsibility and loose management or even corrupt, collusion, and abetted by some degenerate officials and civil servants".

In recent years, every year Vietnamese authorities have detected and handled hundreds of thousands of cases related to smuggling and trade fraud with the amount of revenue to the budget amounting to tens of thousands of billions. copper.

Vietnam penalizes criminal liability for smuggling cases of more than 100 million VND and in some cases, illegal objects being smuggled less than 100 million VND will be prosecuted for criminal liability. Therefore, although the number of smuggling cases detected and handled by the authorities every year is large, the number of cases being criminal penalties is not much. Compared to other predicate offences of money laundering, in the period 2018 - the first 6 months of 2022, investigation data for smuggling (Article 188) is low, the prosecution of this type of crime is low, the trial rate is 82% of the total number of cases prosecuted.

Also, in the period 2018 - June 2022, the amount of money to be executed was the lowest in 2018 and highest in 2022. The execution rate for this type of crime is at an average level during this period, Vietnam prosecuted and investigated 01 case of money laundering originating from smuggling (the case of Nhat Cuong Trading and Services and Technology Co., Ltd. smuggling mobile phones across the country). According to statistics, from 2018 to June 2022, the Anti-Country Department has transferred to the authorities 19 STRs suspected of being related to smuggling crimes.

Conclusion

The number of cases being criminal prosecution is not much but the number of smuggling cases detected and handled by the authorities every year is large and costs money obtained is of great value. Therefore, of the threat of money laundering originated from smuggling is MEDIUM HIGH.

7. Threats of money laundering from illegal transport of goods or currency across the border¹¹

¹¹ The most important sign to distinguish the crime of smuggling from the crime of illegally transporting goods and currency across the border is the criminal purpose. For the crime of smuggling, the offender's purpose is to trade for profit. Meanwhile, for the crime of illegally transporting goods and currency across the border, the offender's purpose is not to buy or sell. However, it should be noted that in case the recipient illegally transports goods or [Type here]

At the Mutual Evaluation Report, APG has commented ER, with a large cash-based economy surrounded by other neighboring cash-based countries, cash is easily moved across Vietnamese borders, which has heightened the overall ML risk.

Goods illegally transported across the border, mainly: petroleum, wood, sugar, cigarettes, tobacco ingredients and other items. Transport method: hired transporter, possibly with the participation of a transnational criminal organization.

For cases of illegal transportation of cash, foreign currency and gold across borders, the main issues are violated regulations on customs declaration of people entering and exiting foreign currency carrying cash. Compared to goods smuggled and illegally transported across borders, cash is light with great value and high transportation fees, thus attracted many people to participate in, causing difficulties for competent authorities in preventing and detecting smugglers. Besides, Vietnam is a cash economy because in people's opinion, using cash is still "cheaper" than using payment services through banks. Money laundering criminals prefer to use cash for money laundering due to its high liquidity and ability to conceal illegal origins.

Compared to other types of predicate crimes of money laundering, in the period 2018 - the first 6 months of 2022, investigation data for illegally transporting goods and currency across borders (Article 189) is at a very low level prosecution cases are low but the number of trial cases accounts for 99% of the total number of cases prosecuted which is also a very high rate in the period 2018 - 2022.

The amount of money being executed for this type of crime is relatively low compared to other predicate crimes of money laundering the amount being executed for this type of crime is very high, reaching 91% rate for this period.

The Hanoi People's Procuracy issued an indictment prosecuting the case of illegally transporting currency across the border with a huge amount of money, up to more than 30 trillion VND. The case is also being investigated for money laundering.

According to the indictment, from 2016 to 2020, the defendant couple of the case colluded with accomplices to legalize temporary import and re-export documents to repeatedly illegally transfer more than 30 trillion VND abroad with the participation of many members of the family join the crime ring. During the investigation process, the prosecution agency identified 11 individuals as owners of businesses in Hanoi and Ho Chi Minh city transferring money to the defendant of the case. Investigation results showed that in order to transfer money across borders, there was help from banking officials in Quang Ninh and Lao Cai to carry out international payment procedures.

currency across the border to another person, knowing that this person's purpose is for trading purposes, he/she will still be criminally responsible for the crime. smuggling as an accomplice.

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In July 2023, the Police Investigation Agency (Ministry of Public Security) prosecuted the defendants and applied preventive measures against 5 people for the crime of illegally transporting currency across the border, in the case that occurred in Hanoi City, Ho Chi Minh City and some other localities. The subjects include: Dao Thi Oanh, Nguyen Hong Anh, Nguyen Thi Hong Hanh, Vu Thuy Linh and Mai Thi Thu Ha. According to the Ministry of Public Security, Oanh and his accomplices established and operated dozens of companies, opening bank accounts to provide services abroad for individuals and businesses in need. During the process committing the crimes, defendants made fake import contracts to carry out electronic money transfer via banks in the form of advance payment of 50-70% of the contract value. After transferring money abroad, Oanh and her accomplices did not carry out import procedures for goods, did not declare taxes, and dissolved the company to hide their crimes. With the above trick, in 2021 and 2022, the defendants illegally transferred more than 4.355 billion VND abroad. The Police Investigation Agency of the Ministry of Public Security has been expanding the investigation, consolidating documents and evidence about the criminal acts of the defendants, related organizations and individuals, verifying and distraining assets for recovery.

According to statistics, from 2018 to June 2022, the Anti Money Laundering Department has transferred to the authorities 02 suspected information related to crimes of illegally transporting goods and currency across the border. Regarding the case of illegally transporting 30 trillion VND abroad, since 2017, the State Bank has received STRs submitted from credit institutions related to individuals in the ring. Based on the analysis of suspicious transaction information, the State Bank transferred information to specialized units of the Ministry of Public Security and City Police. Hanoi, Quang Ninh, Hai Phong to investigate and clarify.

The number of cases being investigated, prosecuted and adjudicated for illegal transportation of goods and money across borders is low. However, there are serious cases that occur with extremely large amounts of money and assets. For these cases, there is a high potential threats of money laundering.

Conclusion

Threats of money laundering originated from criminals illegally transporting goods and currency across borders is rated MEDIUM HIGH.

8. Threats of money laundering originated from manufacturing, trading and transporting banned goods

The offence of transporting and trading banned goods has become more complicated on all border routes by land, sea, air, post and the main consumption areas are two large cities include Hanoi and Ho Chi Minh city. Banned goods are very diverse, from popular items such as firecrackers, cigarettes and products derived from rare animals.

Gangs' activities of buying, selling and transporting weapons, explosives, and support tools, especially firecrackers are complicated. Local police have arrested many people storing and trading firecrackers (Lam Dong, Nghe An, Quang Ninh, Hanoi, Vinh Phuc, Thanh Hoa...), buying and selling weapons such as ball guns, guns and gun components in large quantities. Stakeholders often advertise and negotiate transactions through social networks, then transport them by road or by post or even bus to deliver them to the person placing the order. Through investigation, it has been found out that the source of goods was mainly imported illegally from China and Cambodia to Vietnam. Particularly banned goods are firecrackers, due to their extremely profitable nature, the subjects have used all methods and tricks to produce, store, transport firecrackers and consume them, especially in the period close to Tet.

For prohibited goods such as ivory, rhino horn and products made from ivory and rhino horn are mainly transported by air and sea.

Compared to other types of predicate offences of money laundering, investigation number for the crime of manufacturing and trading prohibited goods (Article 190) is at an average level, prosecution of this type of crime is at an average level and among of those, 98% prosecution cases have been adjudicated.

For the period 2018 - June 2022, the amount of money to be executed is the smallest in 2021 and the highest in 2019. The execution rate for this type of crime is very high, reaching 66% for the period. This

There have been no money laundering investigations originated from this type of crime. According to statistical data, from 2018 to June 2022, the Anti Money Laundering Department has transferred to the competent authorities 03 suspected information related to the crime of producing, storing, trading and transporting prohibited goods.

Conclusion

The number of cases being prosecuted and convicted for manufacturing, storing, transporting, and trading prohibited goods is at an average level, and the value of assets to be recovered is low. Vietnam has not yet handled any case of money laundering originated from the crime of manufacturing, storing, transporting and trading prohibited goods. Threat of money laundering originated from manufacturing, storing, transporting and trading prohibited goods is rated LOW.

9. Threat of money laundering originated from manufacturing and trading counterfeit goods

With its natural location, Vietnam has a long bordering with China, Laos and Cambodia, in which China is identified as the world's center of counterfeit goods manufacturing. Therefore, Vietnam is identified as both a consume and transit area for counterfeit goods from China to other countries. During the outbreak of the Covid-19 epidemic, the transportation of counterfeit goods decreased but increased

rapidly when the epidemic was controlled due to its super profitable nature and the psychology of "loving" foreign and branded goods.

Worth noting during this period is the manufacturing and sale of fake gasoline and oil on a large scale and in large quantities involving many provinces and cities. The police force has discovered and dismantled particularly large cases such as a fake gasoline production and trading ring led by Trinh Suong, operating in an organized manner over a long period of time on a particularly large scale (with sales of trillions of VND/year) in many provinces and cities in the Southern and Central regions - Central Highlands. In addition, copyright infringement and trademark counterfeiting activities continue to exist, thereby posing potential risks to Internet users. The production and sale of counterfeit goods creates low-risk, high-reward opportunities for criminals.

Compared to other predicate offences of money laundering, the number of cases being investigated prosecuted and adjudicated for the crime of manufacturing and trading counterfeit goods is low.

The amount being executed for this type of crime is low compared to other predicate crimes of money laundering. The execution rate for this type of crime is relatively high, reaching 56.6% for the period 2018-6/2022.

Up to now, Vietnam has not prosecuted any cases of money laundering originated from manufacturing and trading counterfeit goods.

According to statistical data, from 2018 to June 2022, the Anti Money Laundering Department has not transferred to the competent authorities any suspected information related to crimes of manufacturing and trading counterfeit goods.

Although compared to other predicate offence, the data on investigation, prosecution and adjudication of manufacturing and trading of counterfeit goods is low, current practice shows that copyright infringement and counterfeit label activities are counterfeiting and counterfeiting of product quality are increasing, due to the high profits earned from these violations.

Conclusion

Threats of money laundering originated from manufacturing and trading counterfeit goods is MEDIUM LOW.

10. Threat of money laundering originated from tax evasion

The situation of tax crimes is widespread, violations tend to increase in quantity and severity in nature and level of damage, causing significant loss of revenue to the state budget with different techniques, very sophisticated tricks. Criminals are often organizations and individuals operating in the fields of manufacturing, business, import and export.

Tax evasion tricks that are commonly used are:

In tax declaration activities: Enterprises do not declare input goods and sell them to the market without including them in books and financial accounting to avoid taxes; overstating input costs to reduce profits, thereby reducing income to avoid taxes; Selling goods without issuing invoices/issuing invoices lower than the actual value/issuing invoices with incorrect value, quantity, item to reduce output to avoid taxes; buying and selling goods through many intermediaries, using invoices from runaway businesses to evade taxes.

In the field of import and export: The emerging techniques is to declare insufficient quantity and reduce the price of imported goods by recording the price in the contract lower than the actual value; Wrongly declare the type of goods to avoid value-added tax, import tax, and special consumption tax. In some cases, people also take advantage of preferential regimes to import more goods to avoid taxes.

In deducting and refunding value-added tax: The techniques is to buy and sell value-added invoices, create fake documents for buying and selling unreal goods to increase input value-added tax, then declare tax added value being deducted monthly; Prepare a false export dossier for goods that are exempt from value-added tax upon export, then carry out value-added tax refund procedures.

Recently there has been emerging acts of taking advantage of online business to evade taxes: Currently, online business activities are increasingly popular and growing rapidly, especially during the Covid-19 epidemic period, however, the technical infrastructure for management and supervision does not meet the requirements, th   being taken advantage by subjects not to declare or incompletely declare online business activities to evade taxes ¹².

In fact, every year, tax inspection agencies conduct inspections, detect and administratively handle thousands of violations of tax laws with fines and recoveries of trillions of dong.

In 2018, the entire Tax sector carried out 95.936 inspections and examinations; examined 596.971 tax records at tax office headquarters. The total amount of tax collected through inspection and examination is 18.977,74 billion VND (852.9 million USD), the amount of tax paid into the budget is 14.736,12 billion VND (640.7 million USD).

In 2019, the entire Tax sector carried out 96.243 inspections and examinations; examined 517.554 records at tax authority headquarters. The total amount of tax increased through inspection and examination is 18.875,51 billion VND (802,6

¹²Ho Chi Minh City Tax Department collects VND 67 billion from Uber; Collection of 9.1 billion VND from an individual doing business online; The case of 57 million Uber customers having their personal information stolen; [Type here]

million USD), the amount paid to the budget is 13.812,48 billion VND (600,5 million USD).

However, the number of cases that constitute a criminal offense for tax evasion accounts for a small proportion.

Compared to other predicate offences of money laundering, in the period 2018 - the first 6 months of 2022, the investigation, prosecution and trial data for tax evasion reached a low level.

The amount of money that must be executed for this type of crime is at an average level compared to other predicate offences. Accordingly, in the period from 2018 to June 2022, the amount of money that must be executed is at least in 2018 and the highest in 2021. The execution rate for this type of crime is at a high average, reaching 31% for this period.

Thereby, statistics show that compared to other predicate offences of money laundering, tax evasion are among the offences with the highest average amount of money to be executed per case.

Practice shows that there are many different causes for tax evasion crimes arise mainly as follows:

- The current business management of tax authorities sometimes is not really strict. In addition, the inspection and examination of tax authority to prevent, detect, and handle violations of tax laws has not been given due attention. There are cases where some tax officials even help in tax evasion activities.

- The system of tax legal documents has not met the rapid development of the market economy.

- Coordination between relevant functional forces such as police, tax, customs, finance, investment planning... in detecting, investigating, and handling tax evasion crimes is still limited and the efficiency is not high.

During the period from 2017 to 2021, the Anti Money Laundering Department has handled hundreds of STRs related to round tripping transaction between individuals and organizations with signs of being related to tax evasion and tax fraud activities. In particular, the years 2017 and 2019 had the most STRs, accounting for 27% and 26% of the total number of STRs processed. Since 2019, the number of STRs involved in round tripping transaction showing signs of tax evasion and tax fraud has tended to decrease. According to statistical data, from 2018 to June 2022, the Anti Money Laundering Department has transferred 64 STRs related to tax evasion to tax authorities for further inspection and examination. By inspection and examination, tax authorities have detected and sanctioned administrative violations, recovering hundreds of billions of dong for the state budget.

Based on STRs processed in the period 2017 - 2021, statistics show that round tripping transaction between customers show signs of tax evasion and tax fraud with

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the value worth tens of trillions of VND, of which from company to company and from individual to company accounts for the majority (accounting for 62.3% of the total transaction amount).

Statistical data show that, in the period 2017 - 2021, there were thousands of customers who made transactions and involved in circular money transfers through many accounts at credit institutions with signs of tax evasion, tax fraud, including individuals (accounting for 38% of total customers) and organizations (accounting for 62% of total customers).

Based on the above analyzes, it can be seen that tax evasion criminals often have in-depth tax expertise, so their tax evasion techniques, tricks are very sophisticated and complex. Therefore, these tax evasion criminals could use the proceeds of crime for money laundering purposes.

Up to now, Vietnam has not prosecuted or investigated any cases of money laundering originated from tax evasion.

Conclusion

Investigation and trial data for tax evasion is low, but this type of crime is still common, with increasingly sophisticated tricks making it difficult for competent authorities to detect and handle. The total number of tax evasion cases discovered and handled is large, and the amount of money lost from state budget is huge. The risk of money laundering originated from tax evasion is rated MEDIUM HIGH.

11. Threat of money laundering originated from usury in civil transactions

Crime and law violations related to usury and black credit occur in many localities, affecting security and order with very sophisticated and complex tricks. Subjects take advantage of telecommunications networks and the Internet, hiding in the shadow of businesses with financial lending functions, debt collection services, pawnshop businesses, conceal, and dealing with authorities to organize activities. Unsecured lending, capital mobilization, financial business, capital contribution, business asset contribution with very high interest rates (from 100% to 300%, even up to 700%/year for residential money loan time) to gain illegal profits. Particularly sophisticated is that criminals also establish companies with debt collection functions licensed by the state to operate, which are essentially criminal groups hiding in the shadow of companies and businesses.

Recently, the Ministry of Public Security has directed local police to review and detect business establishments, individuals, gangs, and subjects showing signs of black credit activities and strengthen handling of violations. Accordingly, more than 1.500 cases have been prosecuted with more than 3.300 defendants; Administratively sanctioned 719 cases with more than 1.100 subjects. For the crime of lending at high interest rates in civil transactions, more than 1.000 cases have been

prosecuted with more than 2.000 defendants; Administratively handling of more than 300 cases with more than 480 subjects ¹³.

In April 2022, the People's Procuracy of Phu My town (Ba Ria-Vung Tau province) issued a decision to prosecute defendant Lam Thi Thu Tra, who was charged with "money laundering" and "usury in civil transactions" stipulated in Clause 3, Article 324 and Clause 2, Article 201 of the Penal Code". The investigation process determined that from 2018 to till her arrest (April 2021), Lam Thi Thu Tra lent 8 individuals a total amount of nearly 922 billion VND. Lenders have paid Tra nearly 794 billion VND and a total interest of more than 86 billion VND. Among them, defendant Lam Thi Thu Tra was determined to be related to the case of Mr. Le Thai Thien (born 1966) and his son Le Thai Phong (born 1993) who committed loan sharking.

To launder money from usury, Ms. Tra asked debtors who were due to pay principal or interest to transfer money to many other people's accounts to receive on behalf of Tra. After receiving money, to help Ms. Tra, those people will transfer it to other accounts to repay debt or continue lending, helping to continue transfer the money or transfer it to an overdraft account to repay bank loans.

Lam Thi Thu Tra's behavior was discovered when Le Thai Thien and her son Le Thai Phong were arrested (December 2020) also on charges of usury in civil transactions and Money Laundering. The indictment prosecuting Le Thai Thien and Le Thai Phong (Thien's son) determined that from 2018 to 2020, Thien and his son lent a total of more than 322 billion VND to 9 people in Phu My town, with Loan interest rates range from 109% per year to 146% per year. Thien and his son illegally profited nearly 100 billion VND when lending money to the above 9 people.

After that, Thien and his son "laundered money" by using nearly 60 billion VND of the total illegal profits mentioned above by forcing borrowers to transfer land and construction materials when they no longer had money and ability to pay.

The crime of usury in civil transactions specified in the Penal Code is a less serious crime, but this activity is often carried out by criminal gangs and has a serious impact on the law and safety situation. society as confirmed by many press agencies, ministries, and localities. According to the provisions of Vietnamese law, subjects must lend money in "black credit" activities with an interest rate of 100% per year or more to be considered for criminal prosecution. Detecting cases related to "black credit" is difficult because initially the parties had a voluntary oral civil agreement or a fake contract that did not accurately represent the actual interest rate. When caught, victims did not dare to report the debt because the gangs threatened and controlled them. The cases occurred for a long time and takes time for resolve the case, so the investigation agency often has difficulty consolidating and collecting evidence of the crime.

¹³ <https://hcmcpv.org.vn/tin-tuc/dau-tranh-voi-toi-pham-cho-vay-lai-nang-tin-dung-den-1491897641>
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Conclusion

Compared to other predicate crimes, the amount of property recovered for **usury in civil transactions** is not large. With the above analysis, threats of money laundering originated from **usury in civil transactions** is rated MEDIUM.

12. Threats of money laundering originated from counterfeit negotiable instruments or other valuable papers

Previously, counterfeit money domestically was mostly produced abroad, then transferred domestically for consumption in many different forms. However, now the subjects have equipped themselves with modern equipment such as printers, large color photocopiers, presses, paint sprayers, cutting machines, reflective stamps ... to make counterfeit money and sell it in the country within the same day¹⁴. Counterfeit money is mainly VND, but there are also foreign currencies such as USD.

Criminals are usually young men between the ages of 20 and 40, who are freelance workers or do not have a stable job. Criminals always try to conceal their crimes using following techniques: frequently changing places of operation, disguising themselves with legal activities, using fake identification documents for temporary residence registration, renting a house, etc... Subjects thoroughly take advantage of the advancement of science and technology to commit crimes, the main form of communication is through social networks (Zalo, Facebook, Viber, Telegram...) causing difficulties for investigation work.

If counterfeit currency enters the financial system, financial institutions can easily identify and block the currency with automated equipment. Therefore, using counterfeit money to launder money through the financial system is impossible. Counterfeit money is mainly dispersed through specific channels and money will be laundered for the purchase of goods and services of small value, personal expenses... through traditional markets, so if it goes through, the amount of real money collected are low, small thus difficult to go through business activities that require large capital to launder money. Although according to Vietnamese law, the policy to penalize counterfeit money crimes is very strict, but because the profits from making and circulating counterfeit money are very large (about 70%), criminals are still committed the crime ignoring the legal penalties.

Compared to other predicate offences, in the period 2018 - the first 6 months of 2022, investigation data for the crime of production, possession, transport of

¹⁴In the case of "Making, storing and circulating fake money" by Tran Ngoc Hoang and his accomplices that took place in 2022 in Ben Tre, through many different stages, the subjects were able to print money on polymer material. and counterfeit the sophisticated security features of the banknote such as: large windows, small windows, Uncle Ho's photo and imprinted denomination of the banknote... Then use chemicals to treat it to increase adhesion. of printing ink and creating roughness for fake bills, making it difficult for people to distinguish and recognize that these are fake money.

counterfeit money (Article 207) is at a low level, prosecution of this crime is low, the trial rate reached 94% of the total number of prosecuted cases which is also a very high rate in the period 2018 - 2022.

Also, in the period 2018 - June 2022, the amount of money to be executed was the lowest in 2018 and highest in 2022. The execution rate for this type of crime is very high, reaching 66% for the period.

Up to now, Vietnam has not prosecuted or investigated any cases of money laundering originated from this type of crime. The main reason is that the subjects were discovered and denounced by the public right from the beginning of consuming fake money, the amount of consumption was only from 200,000 VND to 8 million VND and the subjects mainly used it for consumption without the conditions to legalize money to make it appear as legal sources before being detected, arrested, and confiscated the illegal proceeds.

Currently, Vietnam is coordinating in the fight against counterfeit money with other countries, especially China, Laos, and Cambodia (countries sharing a common land border) to eliminate counterfeit money-making establishments from abroad. . Coordinate with China to strengthen the fight and thoroughly investigate criminal organizations that make, store and transport counterfeit money in general, including Vietnamese money; Arrest and extradite Vietnamese criminals and wanted subjects involved in the production, sale, purchase of counterfeit money and hiding in Chinese territory.

In all cases, the investigation agency blocked the accounts of the subjects to serve the collection and recovery of assets obtained from crimes; 100% of the illegal profits are returned to the authorities by the defendants and their families.

According to the development trend, the use of cash in Vietnam will gradually narrow, so counterfeit money crimes will increasingly decrease.

According to statistics of the Anti-Money Laundering Department, from 2018 to June 2022, the Anti Money Laundering Department has not referred any suspected cases related to crimes of producing, storing, transporting, circulating counterfeit money, counterfeit checks, fake bonds to the police agency for investigation.

Up to now, Vietnam has not prosecuted or investigated any cases of money laundering originating from this type of crime.

Conclusion

Based on the nature, scale and value of illegal profits as well as the above analysis, threat of money laundering originated from the crime of producing, storing, transporting and circulating counterfeit money is rated LOW.

13. Threat of money laundering originated from securities crime

The list securities crimes in this section includes Provision of false information or concealment of information in securities activities (Article 209), Use of internal information for trading securities (Article 210), Manipulation of securities market (Article 211), Forging documents in offering or listing profile (Article 212).

Recently, the Vietnamese stock market has grown at a rapid pace with an increasingly large market capitalization and a sharp increase in the number and value of transactions. However, besides the positive results that have been achieved, the stock market has had many potential risks of violations of the law, affecting the operation of the stock market and against the common interests of the country. Some violations related to the stock market have occurred such as:

- Acts of concealing information, not reporting or disclosing information before making stock buy/sell transactions by major shareholders, insiders, or related persons ¹⁵. Trinh Van Quyet, former Chairman of the Board of Directors of FLC Group Joint Stock Company, directed his relatives and employees to open many accounts to conduct transactions to create artificial supply and demand and manipulate stock prices for FLC stocks. .

- Acts of manipulating the stock market using techniques of conducting, asking or hiring people to open many stock accounts to continuously buy and sell stocks between accounts to create fake supply and demand, pushing up stock prices, attracting investors in the market, then sell for illegal profits ¹⁶;

- Spreading fake news on social networks, luring consulting groups to buy and sell stocks to manipulate to gain profit, causing huge damage to investors and causing the market to decline.

Criminals have taken advantage of loopholes in state management to manipulate the stock market, fraudulently appropriating investors' assets. Criminals use securities accounts of family members, direct employees to set up accounts or use securities accounts of organizations. Criminals mainly use securities accounts and bank accounts to transfer money to support the commission of crimes. Criminals are mainly people with positions in society who have knowledge of the law and experience in the stock market.

Investigation data for this group of criminals is low. In the period from 2018 to 2022, there were 05 cases related to stock market manipulation being prosecuted by the investigating police agency, of which 04/05 cases were tried and sentenced by the court. In 2022 alone, there were two cases related to market manipulation being prosecuted that are the case of market manipulation for the FLC stock group and the

¹⁵The stock market manipulation case occurred at FLC Group Joint Stock Company.

¹⁶The case of Do Thanh Nhan, former Chairman of the Board of Directors of Louis Holdings Joint Stock Company, colluding with Do Duc Nam, General Director of Tri Viet Securities Company, instructing employees to set up 77 securities accounts to manipulate stock prices TGG and BII, illegally earned more than 219 billion VND.
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market manipulation case for the Louis stock group, of which the second case has been adjudicated by the Court.

The amount of money to be executed for the above list of securities crimes is low compared to other types of predicate offences, accordingly, in the period 2018-6/2022, only the crime of manipulation of securities market (Article 211) has been executed with the amount of money to be executed increased over the years, specifically from 1.9 billion VND in 2019 to 19 billion VND in 2021 and nearly 30 billion VND in the first 6 months of 2022; the execution rate reached more than 30%.

The above data shows that although the number of criminal penalties against securities crimes is very small but once they occur, the amount of money and property lost is extremely large.

According to statistics, from 2018 to June 2022, the Anti Money Laundering Department has not transferred any suspected cases related to securities crimes. There has been no investigation, prosecution, or trial of money laundering originated from securities crimes.

Conclusion

Threat of money laundering originated from securities crimes is rated at MEDIUM.

14. Threat of money laundering originated from illegal dealing in narcotic substances

The APG multilateral assessment report on Vietnam in January 2022 stated: *"Vietnam's long border with China, Lao PDR and Cambodia makes it vulnerable to significant instances of bulk cash smuggling and wildlife and drug trafficking. Vietnam is also located near the golden triangle area, which is a major drug production centre both regionally and globally, further increasing its vulnerability to drug trafficking..."*

The reasons for complicated situations of drug crime because of the high differences between the supply and demand and price of buying and selling illegal drugs, stimulating the increasing illegal trading and transportation of drugs across borders causing great consequences on countries, including Vietnam.

Due to Vietnam's geographical location adjacent to the "Golden Triangle" area, recently, drug crime activities have remained extremely complicated, especially in key areas and bordering routes between Vietnam and Laos, Cambodia, and China; increased activities of large drug trafficking and transportation rings, especially synthetic drugs. In addition, the forces specialized in the fight against drug crimes in general and the police force investigating drug crimes in particular are still lacking in quantity, limited supporting equipment and tools to fight against the crime; The management of import, export and use of precursors and modern drugs is sometimes

still lax. The rapid development of various types of businesses such as bars, karaoke, restaurants, hotels... are easily exploited by subjects as venues for drug use.

There has been a tendency of foreigners connecting with domestic subjects to establish businesses and "front" companies to produce on the spot and illegally buy, sell and transport drugs from Laos and Cambodia to Vietnam and shipped to consuming countries. Subjects using sophisticated, diversified methods and tricks to buy, sell, and transport drugs and even finding ways to connect with officials of competent agencies and foreigners to carry out their criminal acts, the number of drugs seized is increasing. Drug criminals set up organized and transnational operations with increasingly large scale. Emerging techniques include taking advantage of food trucks, "green channel vehicles", and import-export goods to hide drugs transported across the border into Vietnam. Inland, criminals taking advantage of vehicles to buy, sell and deliver drugs. The main source of drugs from abroad enters Vietnam through key routes, especially the Northwest, Northeast, North Central - Highlands, and Southwest routes.

If in the past, the subjects mainly operated on roads and unofficial roads in bordering areas to transport drugs into Vietnam and move them to inland areas, but now they might abuse airlines and post offices to transport drugs. Criminals take advantage of express delivery and consignment of non-commercial goods and gifts by air to conceal sophisticated drug sending from European countries (Netherlands France, Germany, Belgium...) to Vietnam for partly consume domestically and transfer to other consuming countries ¹⁷.

In addition, drug crimes related to criminals using high technology to appropriate assets and transnational organized crimes to launder money are hidden and complicated ¹⁸. Criminals fully take the advantage of the advancement of science and technology to commit crimes. Detection of a number of illegal cross-border drug trafficking rings where criminals using banking channels, specifically transaction payment methods, communication via the Internet, international bank cards or more

¹⁷ In 2021 and the first 5 months of 2022, the Drug Crime Investigation Police Department presided over and coordinated with the Customs and other functional forces to fight and successfully explore the HC421 case on trafficking networks, illegally transporting drugs from Europe to Vietnam for consumption, arresting 45 subjects, confiscating more than 550 kg and 23,000 synthetic drug pills.

¹⁸ (first) On January 8, 2021, in Bo De Ward, Long Bien District, Hanoi City, the Drug Crime Investigation Police Department successfully discovered case 379H (illegal drug trading and use network), high-tech asset appropriation), arrested 06 subjects (03 Chinese subjects, 03 Vietnamese subjects), confiscated: 150 cakes suspected to be heroin; 37 POS machines of banks (MB, ACB, Vietinbank, OCB, BIDV, Saigonbank, SHB, TPBank...), 04 bank card counterfeiting machines, 19 bank cards of all kinds, about 1,200 transaction invoices, 02 computers, 13 cell phones, 5,000 USD and many other evidence related to the case; (2) On June 7, 2021, the Drug Crime Investigation Police Department coordinated with the Australian Federal Police (AFP), Offline Department, Ho Chi Minh City Police, Binh Thuan Provincial Police, Ba Provincial Police Ria-Vung Tau successfully discovered case 421B - a case of illegal drug transportation and international money laundering involving 03 Australian nationals currently living in Vietnam. Seized 0.98 grams of ketamine, 40 cell phones, 05 tablets, 02 laptops, 16 watches, 05 electronic devices, about 6.4 million Australian dollars, about 500,000 USD, 10.5 billion VND, 05 cars and many related documents.

sophisticated is the use of virtual currencies such as bitcoin and Ethereum (not acceptable in Vietnam but still acceptable for conversion and payment in some countries). The suspects communicate with each other mainly through social networks (Zalo, Facebook, Viber, Telegram...) and even deep web, making investigation difficult. Money and assets obtained from criminal activities are also used by criminals to buy luxury goods such as cars, to serve their personal consumption.

Recently, the Drug Crime Investigation Police Department has investigated and dismantled many specialized cases, arrested particularly dangerous drug offenders, and seized hundreds of heroin cakes and thousands of pills. synthetic drugs

¹⁹.

Based on data related to prosecution, prosecution and trial, drug crimes account for a high proportion of sentences among the predicate crimes of money laundering. Specifically, in the period 2018 - the first 6 months of 2022, investigation data for illegal drug trafficking (Article 251) is at a very high-level prosecution of this type of crime is at a very high level with a

Also, in the period 2018 - June 2022, the amount of money to be executed is the least in 2022 with 9.6 trillion VND and the highest in 2019 with approximately 11.5 trillion VND. The execution rate for this type of crime is high, reaching 55% for this period.

Although according to the provisions of Vietnamese law, the policy to handle drug crimes is very strict, but because the profits from drug trading are so large, criminals still ignore and commit the crime.

Up to now, the Drug Crime Investigation Police Department has prosecuted 01 money laundering case originating from drug crimes that occurred in Ho Chi Minh City in 2021, the case is currently under further investigation and process. The reason the number of drug-related money laundering cases is still limited is because according to Vietnamese law, the policy to penalized rug crimes is very strict with the maximum sentence is death penalty. Therefore, according to investigative practices, Vietnamese law enforcement agencies often stop at investigating, prosecuting and adjudicating drug crimes without conducting further investigations on money laundering crimes because at the end of the proceedings, criminals with

¹⁹The case of Cai Zi Li and her accomplices illegally producing drugs occurred in Kon Tum on August 6, 2019, arresting 08 subjects (including 07 Chinese subjects), confiscating 12 kg of Methamphetamine, nearly 20 tons of machinery and more than 60 tons of precursors and chemicals of all kinds; The case of Huang Yan Shen and his accomplices committing the crime of illegal transportation of drugs occurred in Hanoi, arresting 03 Taiwanese subjects, confiscating 270 kg of synthetic drugs hidden in pig stomachs and motors. electricity and many other evidences...; On May 15, 2022, the Police Department investigated drug crimes Coordinated with a number of functional units to successfully destroy project 322D on the network of illegally buying, selling and transporting drugs from Cambodia across Tay Ninh border, then transporting them to Ho Chi Minh City for consumption. Arrested 06 subjects, confiscated and confiscated 46 kg of synthetic drugs of all kinds. Currently, the Drug Crime Investigation Police Department is expanding its investigation of the case.

the role of mastermind, leader, and active supporter were sentenced to life imprisonment or death penalty.

Conclusion

The number of prosecutions, trials of drug cases and confiscation and seizure of drug evidence is high. The number of drug offenders prosecuted, investigated, prosecuted, tried and convicted is high, and the profits earned from drug trafficking activities are huge. Threats of money laundering originating from drug crimes is HIGH.

15. Threats of money laundering originated from Terrorism including Terrorist Financing

The APG multilateral assessment report for Vietnam in January 2022, the risks and context section stated: *“8. There has been no evidence of threats from transnational terror groups to Vietnam. Vietnam is exposed to some domestic terrorism and TF threats. Between 2009 and 2017, Vietnam successfully stopped four plots involving 59 people belonging to the Viet Tan organisation. These plots, together with the 2017 bombing of the Ho Chi Minh City’s International Airport, suggest that Vietnam is exposed to some threats of domestic terrorism and TF”*

Vietnam resolutely condemns and fights against all actions, forms and manifestations of terrorism; Supporting anti-terrorism measures of the international community, Vietnam strongly condemns activities that take advantage of the name of anti-terrorism to carry out private intentions, threaten, and interfere in the internal affairs of other countries. As a responsible member of the international community, Vietnam has proactively and actively participated in 16/19 international conventions and protocols on anti-terrorism such as the International Convention on the Suppression of Acts of Nuclear Terrorism ASEAN Convention on Counter-Terrorism... Cooperation in preventing and combating crime through bilateral and multilateral channels not only helps directly fight and eliminate terrorist criminal elements from entering Vietnam, but also contributes to fighting and handling transnational crimes that are often considered a source of contributions and funding for terrorist activities. Vietnam is actively coordinating with countries around the world and anti-terrorism organizations, establishing a 24/7 hotline to receive and process information.

Currently, the trend of terrorist crimes and terrorist financing in Vietnam is decreasing; From 2018 to December 2022 ²⁰ Vietnam only detected 01 terrorism case, and no new terrorism financing cases have been detected on Vietnamese territory.

²⁰ The case of "Terrorism against the people's government" occurred on September 30, 2019 at the Tax Department of Binh Duong province (subject Truong Duong carried out the instructions of Lisa Pham - a member of the terrorist organization "National Government". "Provisional Vietnam" to cause an explosion).

In the past, due to the lack of understanding of a particular segment of society, especially young people (students, low-skilled workers, unemployed, , unstable jobs, many cases are criminal subjects, especially drug addicts) with limited political and legal awareness,... some people misunderstand, believing that the organization of Terrorist organizations such as: "Viet Tan", "Provisional National Government of Vietnam" are about to return to lead the country thus they participate and conduct terrorist and sabotage activities under the direction of terrorist organizations

However, recently, with the drastic investigation and the strict and public trial of Vietnamese law agencies, as well as the criminal sentences applied on offenders, subjects with terrorist and sabotage thoughts inside and outside the territory of Vietnam are clearly aware of the very strict penalties for terrorism and terrorism financing crimes. Vietnam has demonstrated its commitment to combating terrorism and terrorist financing at all levels and globally; Investigators have the ability to identify and investigate terrorist financing activities in domestic terrorism cases; conduct financial investigations in parallel with terrorist crimes. Vietnam has focused strongly on preventing terrorist organizations and acts of terrorism before they occur; carry out effective preventive measures to prevent terrorism or terrorist financing activities.

For terrorist crimes, the data on investigation, prosecution, and trial are very low. During the period 2018-6/2022, Vietnam investigated, prosecuted and tried 01 terrorism case (in 2020). Based on data related to the trial, crimes of terrorism and terrorist financing are at a low level compared to other predicate crimes.

From 2018 to the present time, the Security Investigation Agency of local police have not prosecuted money laundering crimes related to terrorist activities.

Conclusion

Threat of money laundering originated from terrorist crimes including terrorist financing is rated LOW.

16. Threat of money laundering originated from Piracy

Vietnam is located in Southeast Asia. In the current context, criminal groups of Piracy have shifted their scope of operations from the Strait of Malacca to the East, towards the Singapore Strait, the East Sea and especially the seas and ports of Indonesia. Here, the sea maritime is large, and the activities of the coast guard are not so often. In addition, off the coast of Indonesia and Malaysia there are thousands of large and small islands, creating favorable conditions for pirates to easily hide and transport stolen goods to the mainland.

From the current economic, political and social situation of Southeast Asia, experts from the International Maritime Bureau and the Asian Anti-Piracy Organization predict piracy and armed robbery against ships within the area will get worse due to some difficulties in coordinating to arrests piracy among countries. Furthermore, the extended gaps between rich and poor in the region, ethnic conflicts [Type here]

and religious conflicts in the Southeast, the downside of globalization, will also create certain favorable conditions for terrorist groups to carry out attacks within maritime areas, the racism and quick gaining, large profits from piracy might attracting the participation of the poor to involve in these illegal activities, especially the unemployed youth. Pirates often operate in groups and commit crimes in foreign waters, but some pirate groups choose the Vietnamese sea area as a place to escape. To deal with piracy in Southeast Asia, the Vietnam Coast Guard has increased patrols and cooperation in the region, exchanging information on the situation of maritime security, piracy circumstances, search and rescue with other forces. law enforcement forces of countries to ensure combat capabilities at sea.

Through reviewing existing documents and coordinating to obtain information from the Coast Guard Command/MND: From 2018 to June 2022, there has been no incident related to pirate crimes in Vietnamese maritime. Therefore, there has been no evidence to identify the relationship between piracy and money laundering and armed robbery against ships at sea. There are no signs of Vietnamese pirate criminal groups operating in Vietnamese waters in the period 2018-2022, only international pirate criminal groups raging in the Southeast Asian maritime region.

Conclusion

Therefore, threats of money laundering originated from piracy and armed robbery of ships at sea in Vietnam is rated LOW.

17. Threat of money laundering for illegal gambling

Gambling crime in Vietnam accounts for a high proportion of criminal cases (21%). Recently, illegal gambling and **organizing gambling** have mainly occurred in cyberspace. Internet users have opened betting sites and online casinos to organize gambling, and gamblers often lost all their money used to gamble thus no profit was gained. Many online gambling rings have been arrested and detected with transactions amounting to hundreds of billions of dongs.

Based on accusation, investigation, prosecution or trial data, illegal gambling crimes account for a high proportion of convictions among the predicate offence of money laundering. Compared to other types of predicate offence, in the period 2018 - the first 6 months of 2022, the investigation data for illegal gambling crimes (Article 321) is at a very high level, prosecution of this type of crime is at a very high level, of which the cases are successfully adjudicated account for 98% of the total number of prosecuted cases, this is also a very high rate in the period 2018 - 2022.

Also, in the period 2018 - June 2022, the amount of money to be executed was the lowest in 2019 and the highest in 2022. The execution rate for this type of crime is high, reaching 40% for this period.

Conclusion

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With the above analysis, threat of money laundering originated from illegal gambling is rated MEDIUM HIGH.

18. Threat of money laundering originated from organizing gambling

The number of cases involve organizing gambling is approximately illegal gambling (prosecution agencies often prosecute illegal gambling and organizing gambling at the same time because if there is gambling organizers, there will be gamblers), as the number organizing gambling cases is equivalent to illegal gambling but the number of defendants prosecuted for the crime of organizing gambling will much lower than the number of defendants prosecuted for illegal gambling crimes.

Gangs that organize gambling increase their activities. The Criminal Police Force has discovered and destroyed many gangs organizing traditional gambling with dozens of participants in forms such as: cockfighting, betting, lottery, coin toss, Sic Bo... Organizing gambling and gambling in cyberspace have emerged recently, accordingly, organizations often create online casinos and betting sites for online gamblers (traditional gambling accounts for a very small percentage) participating in gambling, gamblers are often deceived by gambling organizers to take away all the gamblers' money, so the profits of gambling organizers are often very high. However, the money gambling organizers gained in actual is not as high as the amount of money announced in public (trillions of billions) because according to Vietnamese law on how to calculate the gambling money in the illegal organizing Gambling by summing the total amount of principal and winnings or losses of all bets of all gamblers combined, so the amount of money concluded in investigation of each illegal gambling and organizing gambling organization case is often thousands, even tens of thousands of times higher than the actual amount of money that the gambling organizers gained from illegal gamblers. Regarding traditional forms of gambling, gambling gangs tend to increase their activities before and after the Lunar New Year, and there has been traditional casinos with dozens of participants being arrested and detected with the number of tens or hundreds of millions of dongs, some online gambling rings have transaction amounts of hundreds of billions of dongs.

In November 2018, the People's Court of Phu Tho province adjudicated the typical case of organizing gambling of Phan Sao Nam and Nguyen Van Duong. In this case, to conceal the origin and legalize the illegal profits from gambling activities, Phan Sao Nam and Nguyen Van Duong used tricks such as establishing a front company, contributing capital in companies, invest in BOT projects, buy real estate, invest in other business activities and transfer money abroad (Singapore). Phan Sao Nam's asset recovery rate reached nearly 90.7%. In this case, four defendants were sentenced for money laundering.

Based on the accusation, investigation, prosecution or trial data, gambling crimes account for the average proportion of sentences among the predicate crimes of money laundering. Also, in the period 2018 - June 2022, the amount of money to be executed was the lowest in 2018 and the highest in 2022.

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Conclusion

For this crime, the proceeds are large, criminals tend to use the proceeds to launder money. With the above analysis, threat of money laundering related to this crime is rated MEDIUM HIGH.

19. Threat of money laundering originated from Corruption and Bribery

In APG's Mutual Evaluation Report on Vietnam's 2019, the Evaluation Team have assessed *“Vietnam has taken a strong approach towards prosecution and punishment of corrupt individuals over the last few years but corruption remains a significant challenge, and occurs at all levels and in all sectors. Despite the improvement in the World Bank governance indicator ranking for ‘control of corruption’, corruption remains a significant issue in Vietnam”*

According to the ranking of Transparency International, in 2022, Vietnam's Corruption Perception Index (CPI) is 42/100²¹, ranked 77 out of 180 countries (up 3 places compared to 2021).²²

According to the provisions of the Law on Prevention and Combat of Corruption 2018, corrupt acts include "embezzlement of property", "receiving bribes" and "abusing positions and powers to appropriate property"²³.

* Crime of property embezzlement

The techniques are often very sophisticated and cunning. criminals are people with positions and powers who take advantage of assigned tasks and powers to intentionally not perform, perform incorrectly or not follow regulations with the purpose of appropriating State and collective property under their management into personal property. Through the cases being tried, it can be seen that the amount of money appropriated is very large, in some cases this amount is up to hundreds of billions of dong. These misappropriated funds are often used for personal expenses, purchases real estate, valuable assets or "money laundering".

During the verification and investigation process, the Investigation Agencies at all levels of the Ministry of Public Security always thoroughly grasp the motto of recovering the maximum amount of appropriated assets in general cases and criminal cases; Closely coordinate with ministries, branches, and local authorities to verify and clarify the origin of crime proceeds to support the recovery, distraint, and seizure.

Compared to other predicate crimes of money laundering, in the period 2018 - the first 6 months of 2022, investigation data for property embezzlement (Article 353) is at an average level Investigation number is on average, prosecution is on

²¹In 2022, two-thirds of the 180 countries will have a CPI below 50, indicating that these countries are facing serious corruption problems.

²² <https://www.transparency.org/en/cpi/2022/index/vnm>

²³In fact, the investigation of embezzlement and bribery is very difficult because proving the misappropriation of embezzlement is difficult, criminals often tend to admit that assets are used for wrong purposes such as: The crime of abusing position and power to appropriate property without intending to appropriate it or embezzle.

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average of which the cases trial rate reached 94% of the total number of prosecuted cases, which is also a very high rate in the period 2018 - 2022.

In the case of "Intentionally violating State regulations on economic management causing serious consequences", "Embezzlement of assets" occurred at PetroVietnam (PVN) and Petrocons (PVC) is a particularly serious economic case. Regarding the act of "asset embezzlement", the defendants, led by Trinh Xuan Thanh, the representative of PVN's capital contribution at PVC, colluded with each other and with outside businesses to prepare documents and settlements to take over a huge amount of money from PVC. The amount loss of more than 119 billion VND and more than 13 billion VND of embezzlement cannot fully describe the nature and severity of the case. The above actions of the defendants have slowed down the project progress, increasing the investment capital by nearly tens of thousands of billions of VND. The case of Ha Van Tham and his accomplices that occurred at Ocean Commercial Joint Stock Bank or in Dien Bien prosecuted Bui Van Thinh - Treasurer of the State Bank of Dien Bien Province Branch for embezzling 20.4 billion VND ²⁴.

In Resolution No. 96/2019/QH14 dated November 27, 2019 on the prevention and combat of crimes and violations of the law, the tasks of People's Procuracy, People's Court and judgment enforcement, The National Assembly has *"Directed the Investigation Agency, Enforcement Agency, and Inspection Agency to closely coordinate with the People's Procuracy, People's Court and State Audit in the work of preventing, detecting and Handle corruption, increase the recovery rate of money and misappropriated assets to over 60%"*. Recognizing the results of recovered the following year is higher than the previous year (the first 6 months of 2022 increased by over 7,000 billion VND compared to the same period in 2021), but in reality, it is very difficult and has not been achieved as expected so far the recovery target of over 60% for the amount of money and assets appropriated and lost in corruption and economic cases ²⁵.

*** Crime of taking bribes:**

Bribery brings benefits to both the person taking bribe and the person giving the bribe. The briber usually does not tend to denounce the person taking the bribe because this brings disadvantages to the person giving the bribe (can be prosecuted under the crime of giving bribery (Article 364 of the 2009 Penal Code), so it is very difficult to detect bribery cases.

In fact, it is difficult to detect bribery activities, but in recent years bribery cases are often of great value, leading to an increasing threat of money laundering. Criminals in bribery cases are people with positions and powers.

²⁴ Source: <https://laodong.vn/phapluat/chiem-doat-hon-20-ty-dong-cua-nha-nuoc-can-bo-ngan-hang-linh-24-nam-tu-901739.lao>

²⁵ <https://thanhnien.vn/giai-phap-de-dat-ty-le-thu-hoi-tren-60-1851459633.htm>
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Recently, the case of giving and taking bribery that occurred at the Consular Department, Ministry of Foreign Affairs related to the rescue flight of which 22 defendants have been prosecuted as of October 4, 2022, including many defendants holding high-ranking positions in state agencies were prosecuted for bribery, including senior officials. Accordingly, the defendants received tens of billions of dong and hundreds of thousands of dollars to approve and giving permission to companies to operate flights bringing Vietnamese citizens home from abroad for personal profit. The estimated number of bribes was up to 6.2 million USD.

Prosecuting 36 defendants in the case of Dong Nai General Hospital, Equipment Joint Stock Company and relevant units of which many defendants were prosecuted for taking bribery; many officials were investigated in the case of Viet A Company where people against regulations of law on bidding that led to serious consequences and for taking advantage of positions and powers while performing official duties,.

During the verification and investigation process, the Investigation Agency at all levels of the Ministry of Public Security always thoroughly adheres to the motto of recovering as much as possible of appropriated assets in general and bribery cases in particular.

From the accusation, investigation, prosecution or trial data, the crime of taking bribes accounts for a low sentencing rate among the predicate offences of money laundering. Specifically, in the period from 2018 to June 2022, investigation data for this group of criminals is at a very low level. During the period 2018-6.2022, there was no investigation into money laundering originated from bribery. The number of prosecutions and trials is low for the period 2018-2022.

Although the number of investigations, prosecutions, and trials of this crime is low compared to other types of predicate crimes of money laundering, once the crime occurred, the money and assets involved to crime are of special value and potentially threats of money laundering.

*** Abuse of power or position for appropriation of property**

Different from the crime of embezzlement of property, the object of crime abuse power or position for appropriation of property is the property of another person (possibly the property belongs to the State). The act of abusing position and power to appropriate property is the act of the offender using position as a means to do something beyond assigned responsibilities in order to appropriate property such as: abuse positions and powers to intimidate property owners to force them to hand over their property; Abusing positions and powers to deceive others in order to appropriate property; or abuse the trust of the property owner based on position and authority to appropriate property.

Based on the investigation, prosecution and trial data, there has a low conviction rate for the crime of abuse of power and position to appropriate property

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compared with other predicate offences. In the period 2018 - the first 6 months of 2022, investigation data for this offence (Article 355) is at a low level, prosecution of this type of crime is at a low level. During the period from 2018 to June 2022, there has been no investigation of money laundering crimes originated from the crime of abuse of power and position to appropriate property.

A typical example of this type of crime is the case of abuse of position and power to appropriate property and intentional violation of state regulations on economic management causing serious consequences at Dong A Commercial Joint Stock Bank. On April 18, 2018, the Police Investigation Agency (Ministry of Public Security) prosecuted the defendant Phan Van Anh Vu (Chairman of the Board of Directors of Bac Nam 79 Construction Joint Stock Company), supplementing the decision to prosecute the defendant named Tran Phuong Binh (former General Director of Dong A Commercial Joint Stock Bank) on the charge of abusing position and power to appropriate property. Authorities suspect that Mr. Vu and Binh were involved in Dong A Bank's appropriation of 200 billion VND.

Vietnam has legal regulations on preventing and combating corruption in the Penal Code, Law on Complaints and Denunciations, regulations on asset declaration and regulations on personnel work to ensuring honesty and integrity, the Central Internal Affairs Committee operates effectively and has a relatively comprehensive judicial and executive apparatus. It can be seen that corruption crimes are still rampant in recent times as there are weakness exits in staff and asset management related to the implementation of investment projects. Criminals abuse techniques to extort money from the state budget, corrupt assets from investment enterprises and receive bribes from enterprises.

There has been an increasing in cases of corruption being detected and handled. Recovering assets in cases in general and corruption cases in particular always receives special attention, as assigned by the National Assembly that the annual target of recovering should be over 60% of assets in corruption cases.

In Vietnam, a person must pass the recruitment exam to be able to join the ranks of state officials. High-ranking government officials mostly well-educated on legal issues, state management regulations as well as processing practical experience. Therefore, government officials who commit corruption tend to be intellectual criminals; not only familiar with the regulations but also aware of the loopholes in the regulations, and therefore, they also have money laundering techniques. The acts of corruption are very sophisticated, so in most of the cases when law enforcement agencies discover the crime, the subject has already dispersed the money and assets. Corrupt criminals tend to disperse money abroad or launder money by buying houses and real estate in the country in the names of family members. Criminals also transfer money to relatives' accounts. Except for high-ranking officials with the ability to launder money across borders, most corrupt criminals carry out traditional money laundering methods such as purchasing valuable domestic assets, buying expensive

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cars, and real estate. They also use informal money transfer channels to transfer money abroad to buy real estate or ask the briber to transfer money to relatives or trusted people's overseas accounts.

The subject of corruption crimes is a person with positions, powers and qualifications, so appropriated assets are often dispersed in many different ways to avoid State control, thus, potentially money laundering threats.

According to statistical data, from 2018 to June 2022, the Anti-Money Laundering Department has transferred to the authorities 02 cases suspected of being related to crimes of embezzlement, bribery, abuse of power or position for appropriation of property.

Conclusion

Threat of money laundering originated from embezzlement is rated HIGH.

Threat of money laundering originated from bribery is rated HIGH.

Threat of money laundering originated from the crime of abuse of position and power to appropriate property is rated HIGH.

20. Threat of money laundering originated from organized crime and transnational crime

Clause 2, Article 17 of the 2015 Penal Code (amended and supplemented in the Code amending and supplementing a number of articles of the Penal Code No. 100/2015/QH13) stipulates the concept of organized crime: *"Organized crime is a form of accomplices with close collusion between people who commit crimes together."*

This concept is closely related to the concept of accomplices in Clause 1, Article 17: *"Accomplices are cases where two or more people intentionally commit a crime together."*

Organized crime is considered an aggravating circumstance for criminal liability. This circumstance is not only generally stipulated in Article 52 of the 2015 Penal Code but is also stipulated as a sign of increased punishment in many articles of the 2015 Penal Code.

Recently, with the developments of organized crime worldwide, the organized crime situation in Vietnam has also had complicated developments. Organized criminal groups are more dynamic, more diverse, in terms of scope of activities, and use modern technology to commit crimes.

Implementing Decision No. 623/QĐ-TTg dated April 14, 2016 of the Prime Minister, approving the National Crime Prevention Strategy for the period 2016-2025, orientation to 2030; on March 30, 2021, the Ministry of Public Security issued the Plan to prevent and combat organized crime) and transnational crime for the period 2021-2025. According to this Plan, organized crime is understood as a form

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of criminal activity committed by gangs and criminal rings (collectively referred to as criminal gangs). This Plan request to focus on the, organized crime and transnational crime especially criminal gangs operating in the shadow of businesses, operating by abusing different areas to commit crimes like social order, economics, smuggling, drugs, environment, resources, food safety, using high technology; gangs' leaders, masterminds are very active in their criminal activities criminals that are foreigners in Vietnam and Vietnamese abroad participating and connecting with organized crime, transnational crime to commit criminal activities related to Vietnam.

Notably, legal entities and business establishments with production and business functions related to import and export, labor export brokerage, tourism, study abroad, transportation business, exploitation, and trading, transporting raw materials, mineral resources, drug precursors, multi-level marketing, real estate, leveling, finance, virtual currency, buying and selling value-added invoices, game business online.... are being established, acquired, or subleased by criminal organized group and transnational criminals to commit, legalize or conceal criminal acts, and to legalize money and assets originated from criminal activities.

In the 2019 APG Mutual Evaluation Report (Paragraph 69), the Assessment Team commented: *“As a large cash-based economy, Vietnam’s economic growth and cash economy has provided an environment within which organised crime groups thrive. These criminal groups can operate and derive proceeds, from a range of areas, including human trafficking, prostitution, gambling, wildlife trade and drug trafficking (amongst others). In addition, organised criminal activity is often associated with the purchase of property and the use of front companies to disguise ownership. Sexual exploitation including child sexual abuse appears to remain a concern in Vietnam (see below). Open sources information also suggest Vietnam is exposed to environmental crimes especially illegal fishing. This is evidenced by the issuance of a yellow card by the European Commission in October 2017 because of its limited attempt to eliminate illegal, unreported, and unregulated fishing.”*

Trends and situation of organised crime and transnational crime

Organized crime involves many gangs, criminal groups commit criminal activities in different industries and sectors, specifically as follows:

Regarding organised crime and transnational crime violating social order: Organized criminals commit crimes through the formation of gangs with criminal activities related to organizing traditional gambling and gambling in space.

Criminal groups operating "black credit" in a complicated manner. Many gangs have been operating black credit for a long time, lending to hundreds of people, earning billions of dong in illegal profits, and "black credit" activities in cyberspace continue to be complicated. Gangs offering brokerage services for prostitution activities (procuring) via the internet in many provinces and cities, the amount of

money for prostitution ranges from several million to tens of millions of dong, earning billions VND in illegal profits. Criminal groups engaged in human trafficking tend to increase their activity, forming broker lines and sending people across land borders to engage in prostitution abroad.

Criminal groups' activities of buying, selling, and transporting weapons, floating materials, and supporting tools, especially firecrackers, are complicated. Through investigation by police agencies, the main source of goods was illegally imported from China and Cambodia to Vietnam.

Regarding organised crime and transnational crime involving economic issues, trafficking notably are, trafficking criminal groups with the tendency to operate in organizations and lines, abuse legal entities to legalize economic contracts and process goods for smuggling in large quantities using bordering land, air, sea and by offering counterfeit origin of goods to export, evading trade defense measures affecting Vietnam's commercial activities and reputation.

Gangs that illegally transport money across borders operate sophisticatedly with the main trick of utilizing import and export activities to establish companies at home and abroad to create fake foreign trade contracts and falsify export, import documents.... Illegally transferring money across borders, appropriating Value Added Tax refunds.

Organised crime and transnational crime involving drugs: Drug-related criminal groups increased their activities, with complicated developments on key routes and areas, especially the North Central, Southwest, and Northwest routes, many were being detected illegal drug trafficking and transportation in large quantities from abroad into Vietnam.

Organised crime and transnational crime involving on natural resources and the environment: In 2021, the Environmental Police Force detected and dismantled 06 cases committed by organised crime and transnational crime, destroying 06 groups with 25 defendants related to environment issues; prosecuted 25 defendants for illegal exploitation of natural resources and illegal transportation and trading of rare wild animals.

Organised crime and transnational crime using high technology: Gangs organize gambling in cyberspace, operating diversify in many different forms of betting amounting to trillions of dong, foreigners cooperate closely with Vietnamese people to form criminal rings, groups of closely organized, large scale, developed in most provinces and cities. Organized criminals take advantage of channels such as unofficial underground money transfers, fake accounts names and front companies to mobilize and transfer money or hire people to bring cash across borders, using cash transactions to evade cash flow investigations by law enforcement agencies. Some criminal groups have been discovered to be in contact with foreign criminal organizations with sophisticated and complex money laundering techniques.

Because proceeds of organized crime are determined based on the participation of criminal groups in different sectors, estimated proceeds are calculated based on cases related to drugs, fraud, violence can up to tens of billions VND each year.

Recently, the functional forces have focused on fighting, dismantling and suppressing organized crime and transnational crimes related to gambling organizations, black credit activities, procuring, and drug trafficking, human trafficking, trading and transporting in weapons, explosives, support tools...; thus, controlling further developments of this crime.

Conclusion

On that basis, threat of money laundering originated from organized crime is rated at MEDIUM HIGH.

II. Threat of cross border money laundering

Vietnam has made high-level political commitments to combat money laundering and terrorism financing. The Vietnamese government affirms that it will strictly punish these crimes, demonstrated by the fact that Vietnam has a relatively comprehensive legal system with strict, persuasive penalties and deterrent investigating, prosecuting and adjudicating all types of predicate crimes and transnational crimes. Vietnam also closely coordinates with other countries in efforts to join hands with the international community to fight against money laundering, actively implementing multilateral mutual legal assistance and bilateral cooperation in recovery criminal property.

Based on the actual results of preventing and combating transnational crime recently, for Vietnamese competent authorities to understand the risks and take appropriate mitigation measures, based on the study of necessary information and statistics Vietnam has updated the risk of external money laundering including money laundering threats from outside into Vietnam and money laundering threats from Vietnam to outside for the period 2018-2022.

Vietnam is a country located at the southeast of Indochina. Vietnam borders the Gulf of Thailand to the south, Northern Gulf and the East Sea to the east, China to the north, Laos and Cambodia to the west. With a favorable geographical location, Vietnam has the conditions to carry out international trade transport including goods and currency transferred in, out and through Vietnam by sea, air and road. Besides the advantages brought by Vietnam's geographical location, criminals can take advantage of sea, air and road border gates to penetrate and circulate illegal proceeds.

With diverse terrain including natural areas including forests and mountains (about 75% coverage), criminals can take advantage of it as a place to hide, reside and operate. Besides, Vietnam is located near the golden triangle area, which is a major drug production center in the region and the world. Border gates, unofficial roads, and trails with neighboring countries are conditions for criminals to illegally transport goods and currency across borders.

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In addition to the great economic achievements brought about by international integration, Vietnamese banks and businesses have increasingly established global relationships, accordingly, threat of cross-border money laundering has also increased. On the one hand, foreign capital flowing into Vietnam brings benefits to the economy, on the other hand, it can be an opportunity for criminals to abuse and transfer illegal money into Vietnam. Money is also transferred abroad by criminals under the guise of sending money to study abroad, for medical treatment abroad, settle down... or through the informal money transfer system abroad.

International criminals can take advantage of a banking system because of being easily to access, convenient and has branches everywhere in the country to transfer illegal money into Vietnam for laundering. At the same time, criminals can take advantage of the Government's policy of encouraging Vietnamese people to remit money back home or the government's policy of attracting foreign investment to transfer back illegal revenues. The Vietnamese Government is clearly aware of the importance of ensuring and maintaining a healthy financial system to prevent and combat the risk of money laundering.

In recent years, money laundering crimes have created certain challenges for Vietnam. With the policy of fighting against transnational crimes, competent Vietnamese agencies have closely coordinated with foreign agencies in the fight against these types of crimes. In addition to cooperation mechanisms between relevant specialized agencies, Vietnam also ensures support for foreign competent agencies through multilateral legal support channels. Among the channels abused by criminals, banks and informal money transfer systems may be the most popular channels in transferring criminal money into Vietnam.

An effective international cooperation mechanism is a decisive factor in tracking criminal assets, detecting identities and tracing criminals. As a member of APG, Interpol and through the activities of FIU Vietnam (of Anti-Money Laundering Department) and other law enforcement agencies, Vietnam has actively participated in international cooperation to combat money laundering and countering terrorism. Vietnam has a relatively comprehensive legal mechanism to support other countries, including mutual legal assistance related to the investigation and prosecution of criminal crimes, exchange of financial intelligence information, cooperation of law enforcement agencies and financial regulators.

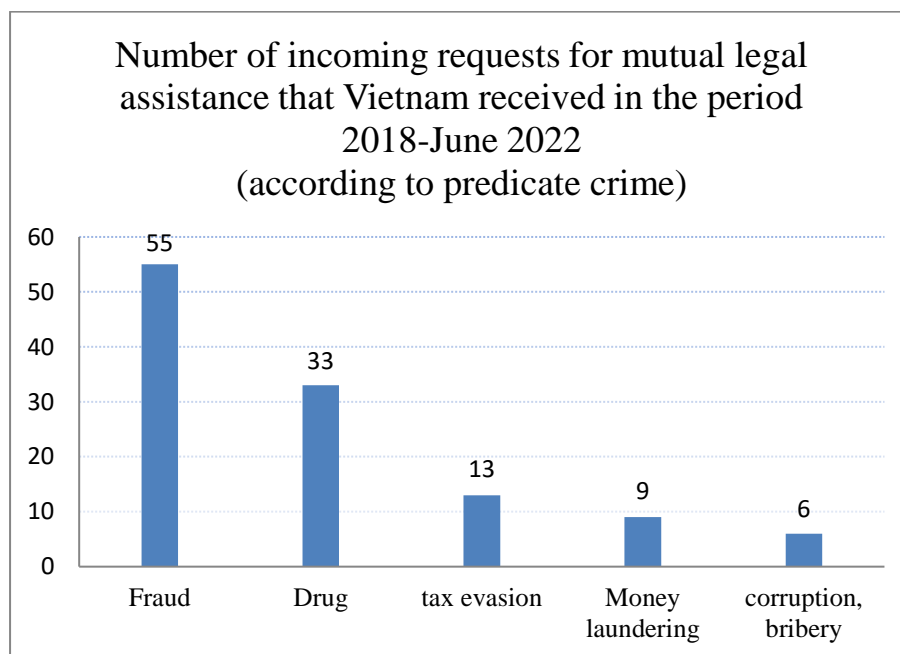
1. Threat of money laundering from foreign countries

In the National Risk Assessment Report 2012-2017, Vietnam has identified types of predicate crimes with high risk of money laundering from abroad including drug crimes, tax evasion, abuse of powers, bribery mainly from Australia, the United States, Poland, Spain, and Cambodia. Since Vietnam's National Risk Assessment report and Post NRA Action Plan were issued, Vietnamese competent authorities and the private sector have taken the necessary steps to minimize risks of money

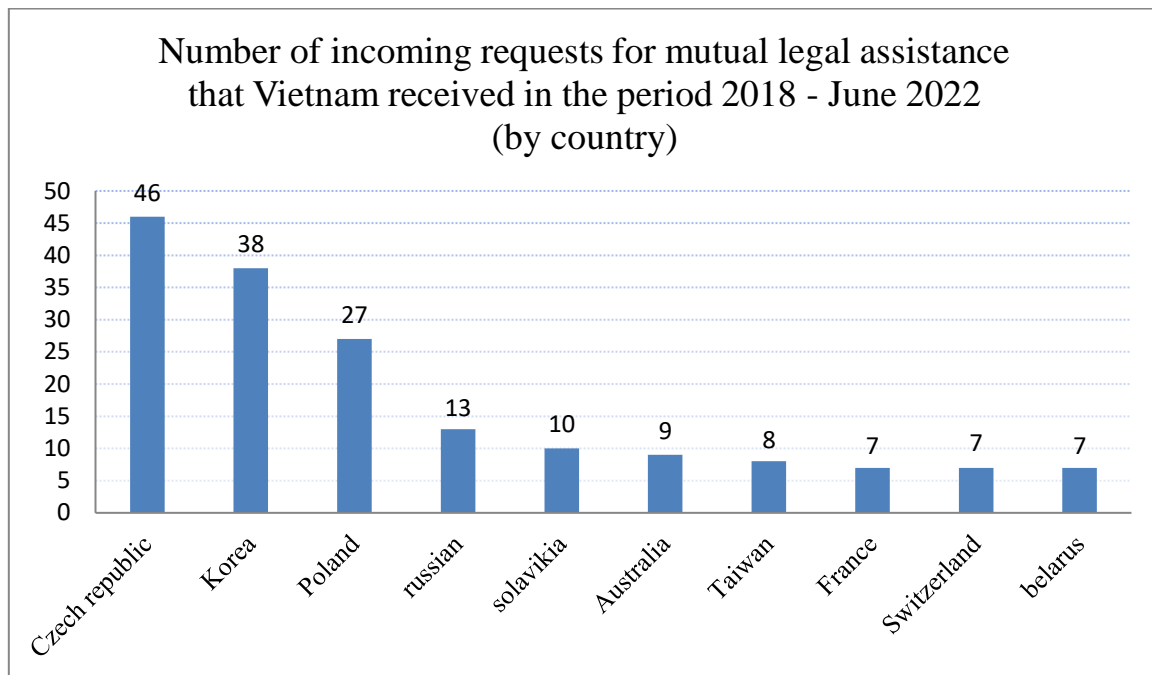
laundering and terrorist financing in general and money laundering risks from external in particular.

1.1 From 2018 to June 2022, Vietnam received 236 requests for mutual legal assistance from foreign countries. Accordingly, requests for mutual legal assistance are mainly related to information collection, evidence verification, service, and testimony related to predicate offence of money laundering and these types of crimes committed in countries submitting requests for mutual assistance.

1.2. According to statistics, the requests for mutual legal assistance that Vietnam received in the period 2018-2022 are mainly related to predicate offences including property appropriation, fraud, drug crimes, tax evasion, money laundering and corruption, bribery. The requests for mutual legal assistance that Vietnam receives are mainly from countries including the Czech Republic, South Korea, Poland, Russia, and Slovakia.



Source: Supreme People's Procuracy



Source: Supreme People's Procuracy

1.3. According to statistics from the State Bank of Vietnam (Anti Money Laundering Department) on countries that are the main origin of electronic fund transfer from abroad to Vietnam among credit institutions, the US, UK, Singapore, Japan, South Korea and Hong Kong are the main origin countries for international fund transfers to Vietnam. Besides, Korea, Japan, Singapore, Taiwan, China, and the US are the countries with the largest foreign investment in Vietnam which might be the reasons why the number of electronic fund transfer into Vietnam is higher than other countries. In addition, these are the countries that have the most trade relations with Vietnam.

Table 1.41: Main countries for foreign electronic fund transfers to Vietnam (by value)

	2018		2019		2020		2021		January 1 - June 30, 2022	
	Country	Percentage (%)	Country	Percentage (%)	Country	Percentage (%)	Country	Percentage (%)	Country	Percentage (%)
1	UK	28.85	America	28.77	America	32.06	America	29.58	America	35.77
2	America	11.22	UK	25.97	UK	20.17	UK	18.93	UK	20.89
3	Singapore	13.63	Singapore	9.03	Singapore	12.79	Singapore	17.32	Korea	7.42
4	Japan	7.39	Japan	7.67	Japan	7.21	Japan	6.81	Japan	7.02

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5	Korea	6.46	Korea	6.24	Korea	6.46	Korea	6.70	Hong Kong	6.86
6	Taiwan	5.19	Taiwan	5.62	Hong Kong	5.38	Hong Kong	5.57	Singapore	6.49
7	Hong Kong	5.08	Hong Kong	5.53	Taiwan	4.95	Taiwan	4.73	Taiwan	4.40
8	China	2.80	China	2.96	China	3.07	China	2.95	China	3.09
9	Germany	1.91	Germany	1.27	Germany	0.91	Germany	0.89	Germany	1.03
10	Thailand	0.71	Thailand	0.70	Thailand	0.86	Thailand	0.73	Thailand	0.68

Source: Anti Money Laundering Department

1.5. According to statistical data on requests for information received by the Anti Money Laundering Department, it can be seen that the main predicate offences in requests from foreign FIUs sent to the Anti Money Laundering Department related to money laundering and informal money transfers can be seen., tax evasion and drugs.

Table 1.42: Main types of predicate crimes in requests sent by foreign FIU

	2018			2019			2020			2021			2022			2018 - 2022		
Number of requests received	24			29			14			27			15			109		
	Offence	Number of Request	%	Offence	Request number	%	Offence	Number of Request	%	Offence	Number of Request	%	Offence	Number of Request	%	Offence	Number of Request	%
Number of crimes	Money laundering	12	50	Money laundering	ten	34	Money laundering	6	43	Other	12	44	Money laundering	5	33	Money laundering	44	40
	Other	8	33	Other	8	28	other	5	36	Money laundering	11	41	Other	4	27	other	37	34
	Informal money transfer	3	13	Tax evasion	7	24	Tax evasion	first	7	Informal money transfer	2	7	Informal money transfer	3	20	Tax evasion	11	10

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	Drug	1	4	Drug	3	10	Drug	1	7	Tax evasion	1	4	Not paying taxes	2	13	Informal money transfer	10	9
	Tax evasion	0	0	Tax evasion	1	3	Tax evasion	1	7	Drug	1	4	Drug	1	7	Drug	7	6

Table 1.43: Main requested countries sent by foreign FIUs

Year	2018		2019			2020			2021			2022			2018 - 2022		
total	24		29			14			27			15			109		
Nation	Number of Request	%	Nation	Number of Request	%	Nation	Number of Request	%	Nation	Number of Request	%	Nation	Number of Request	%	Nation	Number of Request	%
Japan	9	38 %	Japan	14	48 %	Japan	8	57 %	Japan	17	63 %	Japan	7	47 %	Japan	55	50 %
Korea	7	29 %	Korea	7	24 %	Korea	3	21 %	Korea	5	19 %	Korea	3	20 %	Korea	25	23 %
France	2	8 %	India	1	3 %	Australia	2	14 %	France	1	4 %	Taiwan	1	7 %	France	4	4 %
Australia	1	4 %	Uganda	1	3 %	Thailand	first	7 %	Singapore	1	4 %	UEA	1	7 %	Thailand	4	4 %
Thailand	1	4 %	Malaysia	1	3 %				Türkiye	1	4 %	Thailand	1	7 %	Australia	3	3 %
Cambodia	1	4 %	France	1	3 %				Bangladesh	1	4 %	Cambodia	1	7 %	Cambodia	3	3 %
UK	1	4 %	Thailand	1	3 %				Cambodia	1	4 %	Italia	1	7 %	Ivory Coast	2	2 %
Ivory Coast	1	4 %	Singapore	1	3 %										Singapore	2	2 %
Jordan	1	4 %	Moldova	1	3 %										UK	1	1 %

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Conclusion

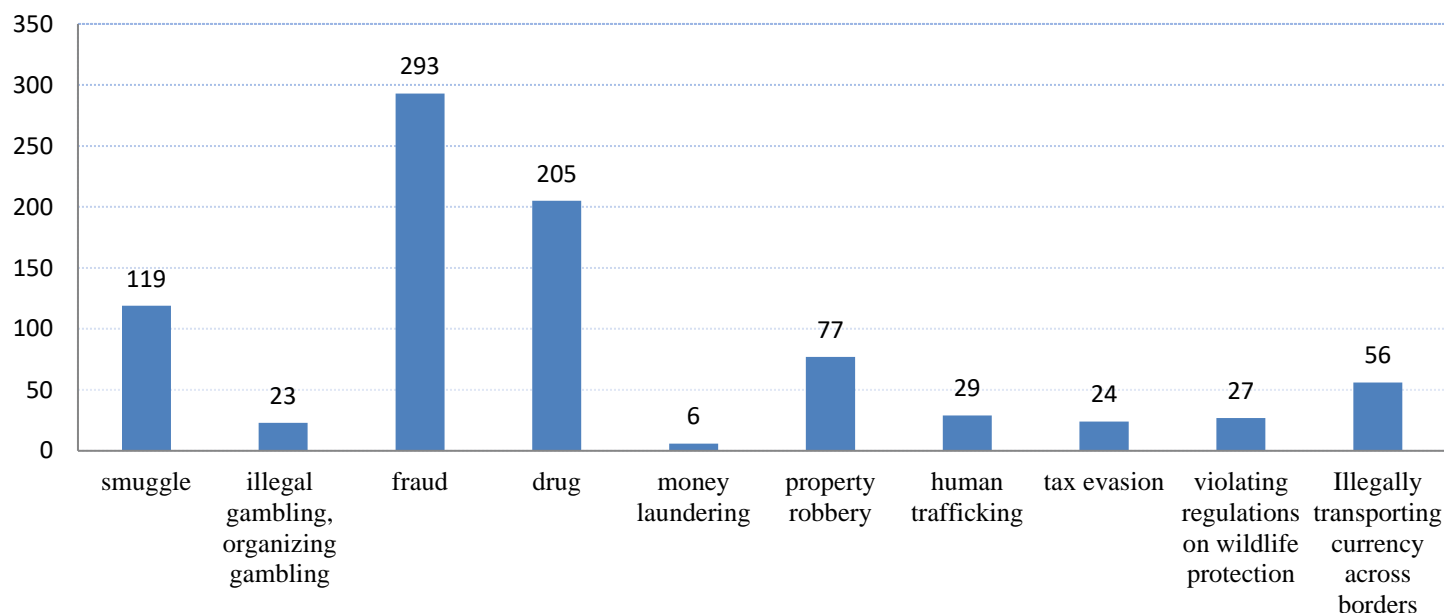
2. Threat of money laundering from domestic to foreign countries

Number out going of requests for mutual legal countries in the period 2018 - June 2022 (by country)

Country	Number of requests
Australia	37
cambodia	59
Canada	22
taiwan	40
korea	113
USA	60
Hong Kong	40
Laos	117
Japan	53
China	294

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**Number of outgoing requests for mutual legal assistance sent to countries
in the period 2018 - June 2022
(by predicate offence)**



2.2. Singapore, Hong Kong, China, the United States, and Australia are the countries that receive most of requests for information sharing from FIU Vietnam. Accordingly, the requests that Vietnam sends to these countries are mainly related to the collection of information and data on financial crimes.

Table 1.44: Main countries received requests sent by the Anti Money Laundering Department

2018			2019			2020			2021			2022			2018 - 2022		
20			33			24			19			14			110		
Countr ies	Nu mb er of Req uest	%	Countr ies	Nu mbe r of Req uest	%	Countr ies	Nu mb er of Req uest	%	Count ries	Nu mb er of Req uest	%	Cou ntrie s	Nu mb er of Req uest	%	Cou ntrie s	Num ber of Requ est	%
Hong Kong	2	10 %	Singap ore	4	12 %	Singap ore	3	13 %	Hong Kong	4	21 %	Kore a	3	21 %	Sing apor e	11	10 %
Singap ore	2	10 %	UK	4	12 %	Americ a	3	13 %	Korea	2	11 %	Chin a	3	21 %	Hon g Kon g	11	10 %
Thailan d	2	10 %	Americ a	3	9%	China	2	8 %	Taiwa n	2	11 %	Hon g	2	14 %	Chin a	11	10 %

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												Kon g					
USA	2	10 %	Austral ia	3	9%	Hong Kong	2	8 %	China	2	11 %	Sing apor e	2	14 %	Ame rica	ten	9%
Korea	1	5 %	China	3	9%	Taiwan	2	8 %	Austra lia	2	11 %	USA	first	7%	Aust ralia	8	7%
Taiwan	1	5 %	Thailan d	2	6%	Austral ia	2	8 %	UK	1	5%	Laos	first	7%	UK	6	5%
China	1	5 %	Taiwan	1	3%	Thailan d	2	8 %	USA	1	5%	Cam bodi a	first	7%	Thai land	6	5%
UK	1	5 %	Hong Kong	1	3%	Japan	2	8 %	Japan	1	5%	Mala ysia	first	7%	Kore a	6	5%
Austral ia	1	5 %	Laos	1	3%	Malays ia	1	4 %	Russia	1	5%				Taiw an	6	5%
Japan	1	5 %	Cambo dia	1	3%	Other	5	21 %	Other	3	16 %				Japa n	4	4%
Other	6	30 %	Other	10	30 %						0%				Othe r	31	28 %

Source: Anti Money Laundering Department

Table 1.45: Countries received most electronic fund transfer from Vietnam (by value) in the period from 2018 - June 2022

TT	2018		2019		2020		2021		January 1 - June 30, 2022	
	Country	Perce ntage (%)	Country	Ratio (%)	Country	Perce ntage (%)	Country	Perce ntage (%)	Country	Perce ntage (%)
1	America	43.16	America	42.34	America	42.58	America	40.70	America	37.72
2	Korea	15.26	Korea	14.02	Korea	14.47	Korea	14.41	Korea	14.52
3	Singapore	10.69	Singapore	10.54	Singapore	9.48	Singapore	9.99	Singapore	11.17
4	Hong Kong	5.17	China	5.79	China	6.96	China	7.71	China	8.32
5	China	5.15	Hong Kong	5.52	Hong Kong	6.01	Hong Kong	6.46	Hong Kong	6.76
6	Japan	5.00	Taiwan	5.41	Japan	5.18	Japan	4.82	Taiwan	5.65
7	Taiwan	4.51	Japan	5.12	Taiwan	4.55	Taiwan	4.82	Japan	5.16

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8	UK	1.81	UK	1.98	UK	1.81	UK	1.54	UK	1.59
9	Thailand	1.74	Thailand	1.64	Thailand	1.54	Thailand	1.42	Thailand	1.46
ten	Virtue	1.40	Virtue	1.52	Virtue	1.36	Virtue	1.27	Cambodia	1.07

The table above shows the data of countries **received most electronic fund transfer from Vietnam (by value) in the period from 2018 - June 2022**. Accordingly, it can be seen that the US, Korea, Singapore, China, Hong Kong, Japan, and Taiwan are the main destination countries for international money transfers out of Vietnam. Besides, in the period 2018-2022 Laos and Singapore are the most countries received foreign investment by Vietnam. This may be one of the reasons why the number of electronic money transfer from Vietnam to these countries is higher than other countries. In addition, these are the countries that have the most trade relations with Vietnam.

Conclusion

It can be seen that drug, fraud, and smuggling are the predicate offence with highest threat of money laundering from external to Vietnam. Countries with highest threat of money laundering from Vietnam abroad include China, Laos, and South Korea.

After considering the scale of criminal assets, the diversity and techniques of criminals, the scale of predicate offence and domestic threat, Vietnam assesses the threat of cross-border money laundering as lower than the threat of money laundering domestically.

III. Money Laundering Threats by Sector

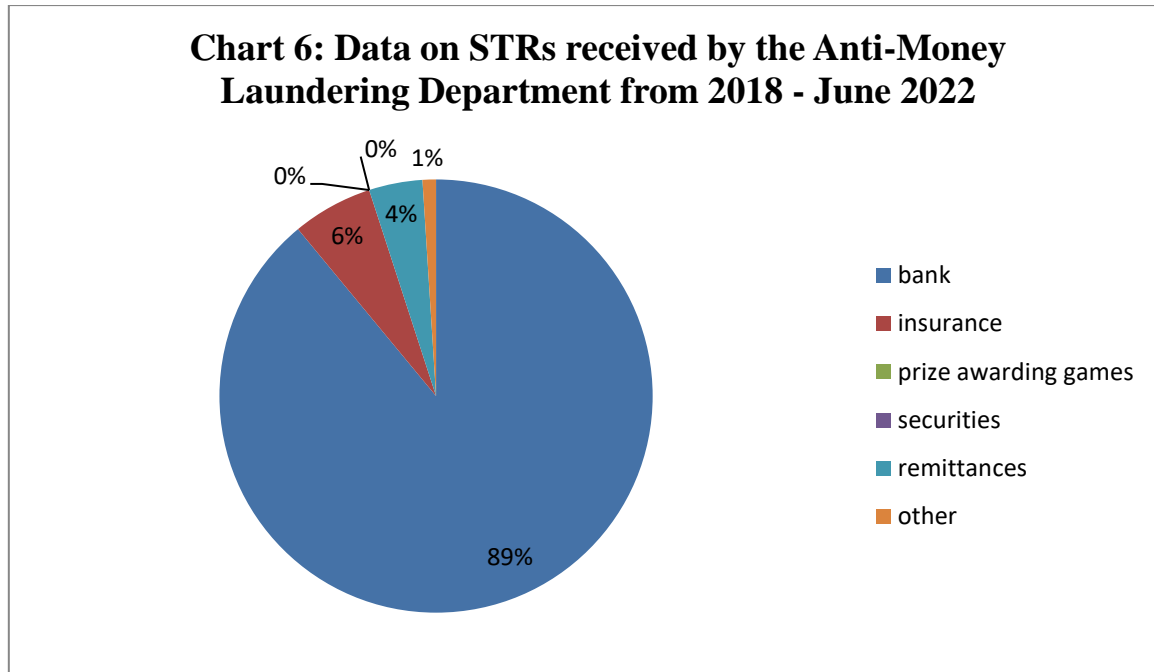
1. Money Laundering Threats in the Banking Sector

The banking sector faces money laundering threats from both international and domestic sources. There have been instances where criminal proceeds from abroad were illegally transferred into Vietnam through the banking sector. Consequently, there is a significant threat that the banking sector may be exploited by external criminals for money laundering activities.

In recent years, the increasing rate of bank account openings and the growing ease of access to banking services have made the banking system more easily to be exploited by criminals for money laundering purposes.

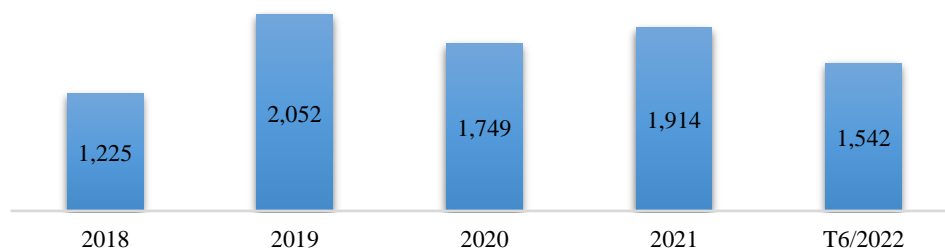
Moreover, the trend toward digitization and substantial investments in technology, which bring new experiences and accelerate transaction processes and payment handling, along with the collaboration between fintech companies and banks, have introduced new challenges. These could be exploited by criminals to obscure the origin of funds through round tripping transaction.

Between 2018 and June 2022, the Anti-Money Laundering Department received 8,482 Suspicious Transaction Reports (STRs) from the banking sector, accounting for 89% of all STRs received from reporting entities, significantly higher than in other financial sectors. This is expected, given the scale of the industry and the volume and value of transactions carried out in the banking sector, which far exceed those in other sectors.



The number of STRs received from reporting entities in the banking sector has increased over the years. Notably, in the first half of 2022, the number of STRs received in this sector reached 1,542 reports, representing 80.6% of the total STRs received in 2021.

Chart 7: Number of STRs received in the banking sector from 2018 to June 2022

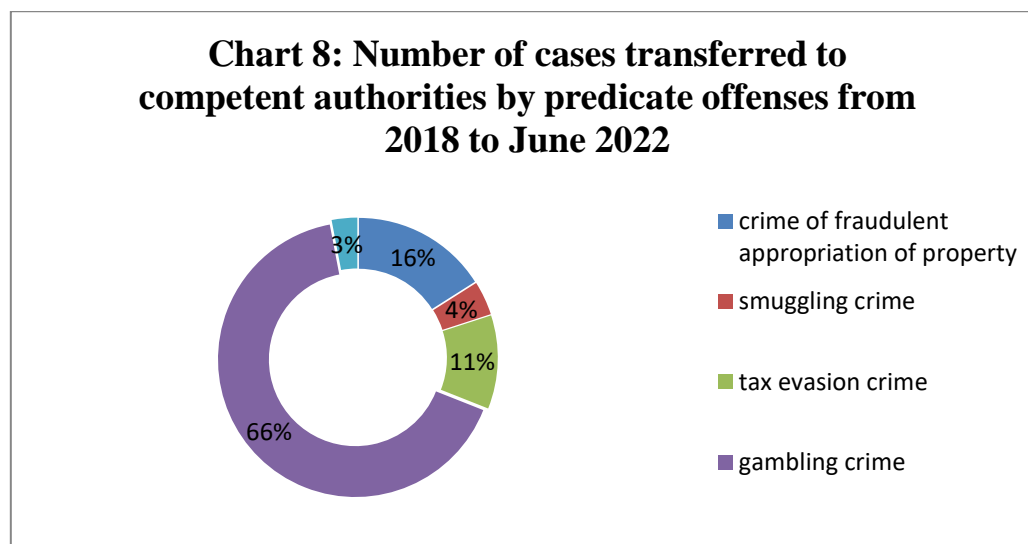


Source: AMLD

Based on major cases under investigation for money laundering from 2018 to June 2022, and data from STRs by the Anti-Money Laundering Department

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(AMLD), it is evident that the threat of money laundering in the banking sector is primarily linked to crimes such as gambling (372 cases referred, accounting for 66% of the total cases referred to the competent authorities) and fraud (92 cases referred, accounting for 16% of the total cases referred to the competent authorities).



Banking transactions tend to occur in a chain reaction and span a wide range of diverse products/services provided by banks, making it easier to disperse illicit funds compared to other sectors. The use of high technology by criminals has been on the rise, with the development of new criminal methods (such as gambling, fraud, etc.).

This reality highlights that money launderers may use false information or forged documents to open accounts or hire others to open accounts, which are then sold to criminals to carry out illegal activities. The purpose of these activities is to conceal the true ownership of assets, complicating detection efforts by regulatory authorities. The banking system, therefore, plays a crucial role as the gateway and lifeblood of the financial system. The majority of financial transactions within the economy originate from and pass through the banking system. Consequently, money launderers view banks as an indispensable link in their operations, using this channel frequently to introduce illicit funds into the financial system. Banks are seen as a borderless money transfer system, enabling large sums of money to be transferred and numerous transactions to be executed within a short time frame across various countries. Therefore, criminals regularly use banks to quickly launder cross-border funds or round tripping transaction to obscure the true origins of illicit money.

Based on the analysis above, the threats of money laundering in the banking sector are rated **HIGH**.

2. Money Laundering Threats in the Securities Sector

The stock market has been, and continues to be, susceptible to legal violations, making it a target for criminals who manipulate the market and engage in money laundering, thereby negatively impacting market operations and contradicting the [Type here]

national interest. The characteristics of the stock market allow a single client to execute hundreds, even thousands, of transactions in a single day. This poses a significant challenge in tracing the source of investors' funds. This issue becomes particularly complex for securities companies, especially as many have adopted automated trading systems, allowing investors to place buy and sell orders automatically without having to visit the trading floor.

Regulations stipulate that securities companies and fund management companies cannot conduct cash transactions with clients. Clients must deposit, withdraw, and transfer funds through commercial banks. As a result, securities and fund management companies face challenges in identifying suspicious transactions, as they may not be able to verify if the individual making deposits, withdrawals, or transfers is the actual owner of the securities account.

According to AMLD data, from 2018 to June 2022, the number of STRs received in the securities sector was relatively low (7 STRs, accounting for 0.07% of total STRs). In addition, investigative, prosecutorial, and judicial authorities **have not identified** any cases of money laundering within the securities sector²⁶ during this period. However, in recent times, there have been incidents of stock market manipulation. The State Securities Commission and law enforcement agencies have initiated investigations and prosecuted cases with the aim of cleansing the market. Through these investigations, it has been observed that criminals engage in spreading false information, creating multiple accounts to lure clients, then abruptly selling securities without notifying state regulators, borrowing or hiring individuals to open numerous securities accounts to continuously trade shares between accounts, creating artificial demand and supply, inflating share prices, and attracting market investors before selling for illicit profit. Additionally, there have been instances of falsifying documents to inflate capital through share issuance, spreading false information on social media, and manipulating stock prices for personal gain.

In the corporate bond sector, methods include disseminating false information and using companies within the same ecosystem to issue bonds or collaborate on capital investment (involving violations of corporate law, securities law, and credit institution law).

According to data from the State Securities Commission, from 2018 to 2022, a total of 35 market manipulation cases were handled by competent authorities. The State Securities Commission imposed administrative penalties on 32 individuals and 01 organization, with total fines and disgorgement of illegal profits amounting to

²⁶ According to the UNODC, Vietnam is susceptible to being targeted by international money laundering criminals due to its real estate and stock markets, which are both characterized by unpredictable growth rates that can swiftly shift from overheating to freezing. A significant amount of capital flows into these markets.

VND 22.09 billion (approximately USD 960,000). 05 cases related to market manipulation were prosecuted by investigative police agencies, 04 of which have been tried and sentenced. In 2022, the State Securities Commission, in cooperation with the police, prosecuted two market manipulation cases involving FLC shares and the Louis stock group. In May 2022, the Hanoi People's Court sentenced Đỗ Thành Nhân (former Chairman of Louis Holdings) to 5 years and 6 months in prison, along with 7 others receiving sentences ranging from 6 months to 4 years, for "stock market manipulation" under Article 211 of the Penal Code.

The Ministry of Finance has implemented measures to strengthen oversight by introducing artificial intelligence to monitor transaction activity and track sudden stock price fluctuations. For private bonds, a separate platform will be established for monitoring. Regarding bonds, between April and September 2021, the Ministry of Finance issued multiple press releases on risks associated with private corporate bonds and issued directives to the State Securities Commission and other agencies to intensify inspections and crack down on violations. Inspections of independent audit units for securities companies revealed numerous violations, leading to 34 cases being referred to investigative agencies and 568 administrative violations resulting in fines totaling VND 29 billion²⁷.

To continue advancing the goal of developing a safe, transparent, and sustainable market, in 2023, the Ministry of Finance will collaborate with various ministries and sectors to implement comprehensive measures. These include further refining the legal framework, focusing on supervisory management, enhancing the effectiveness of law enforcement, and organizing market operations.

Although the number of detected violations and crimes in the securities sector remains limited, it can still be considered a potential source for generating illicit funds.

Based on the above analysis, the threats of money laundering in the securities sector are rated MEDIUM.

3. Money Laundering Threats in the Insurance Sector:

From 2018 to June 2022, no cases of money laundering have been identified, prosecuted, or adjudicated in the insurance sector, according to data from investigative, prosecutorial, and judicial authorities.

In recent years, the insurance market has seen strong growth, particularly in life insurance products.

Some suspicious indicators in the insurance sector include: (i) Individuals requesting new insurance contracts with high premiums while maintaining low-premium contracts, often business owners, management-level employees, or merchants; (ii) Individuals paying insurance premiums using bank accounts of third

²⁷ https://mof.gov.vn/webcenter/portal/ttnctdbh/pages_r/1/chi-tiet-tin?dDocName=MOFUCM234755
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parties rather than their own; (iii) Individuals frequently making deposit/withdrawal transactions, or regularly taking out loans against the cash value of their insurance policies and repaying those loans; (iv) STRs with suspicious reasons related to the activities of insurance agents or advisors, such as individuals splitting insurance contracts across different agents in the same business region, all signed on the same day; or advisors having multiple contracts where the insurance premium payer is not the policyholder; (v) Insurance contracts involving defendants, suspects, or wanted persons.

According to Anti Money Laundering Department data, from 2018 to June 2022, 524 STRs were reported by insurance companies, accounting for 6% of total STRs.

Although the insurance sector carries inherent money laundering threats, especially with long-term investment-linked products or those with cash value accumulation features, the threat is considered lower compared to other sectors. During the period from 2018 to 2022, no cases of money laundering in the insurance sector were identified, and there were no instances of collusion by insurance industry employees to launder illicit funds. While no cases of money laundering in the insurance sector have been recorded in Vietnam, criminals may use various methods to launder money through insurance activities, such as:

- Exploiting insurance payments for money laundering, typically through: Authorizing unrelated individuals to receive insurance payouts, insurance companies making frequent large payments to the same client, investing insurance premiums, single-premium life insurance policies acting as cash value storage, fixed-term insurance policies, transferring and using insurance policies as collateral for bank loans, etc.

Based on the analysis above, the threat of money laundering in the insurance sector is rated MEDIUM LOW.

4. Money Laundering Threats for Other Financial Institutions

Other financial institutions are diverse in nature, operating across the country, but are generally much smaller in scale compared to banks and financial institutions. These include: Remittance companies, currency exchange agents, comprehensive financial companies, finance leasing companies, consumer credit finance companies, microfinance institutions, people's credit funds, local development investment funds, payment service intermediaries, and pawnshops.

4.1. Comprehensive financial companies, finance leasing companies, consumer credit finance companies, microfinance institutions, people's credit funds, local development investment funds, and cooperative development funds:

During the period from 2018 to June 2022, according to statistics from investigative, prosecutorial, and judicial agencies handling money laundering [Type here]

crimes, there were **no cases** of money laundering being investigated, prosecuted, or adjudicated that involved comprehensive finance companies, financial leasing companies, consumer finance companies, microfinance institutions, people's credit funds, local development investment funds, or pawnshops... In addition, the AMLD did not receive any STRs related to these entities. No financial investigations indicated that comprehensive finance companies, financial leasing companies, consumer finance companies, microfinance institutions, people's credit funds, or local development investment funds were threatened of being exploited for money laundering activities.

Based on the aforementioned information, threat of money laundering associated with comprehensive finance companies, financial leasing companies, consumer finance companies, microfinance institutions, people's credit funds, local development investment funds, and cooperative development funds is rated LOW.

4.2. Payment Intermediary Service

From 2018 to June 2022, AMLD received 39 STRs related to this sector. Nationwide, over 100 fintech companies are operating, including 43 payment intermediaries licensed by the SBV. E-wallets has become an increasingly popular payment method among consumers, particularly the younger demographic. The convenience and benefits provided by e-wallets contribute to the growth of cashless payments and support economic and social development. However, e-wallets have shown signs of being exploited in illegal activities, such as online gambling, football betting, and cross-border funds transfer. Additionally, e-wallets have been used for money laundering and other illegal activities. However, e-wallets have shown signs of being exploited in various illegal activities, such as online gambling, football betting, and fraud. In recent years, several large-scale gambling rings, each involving trillions of VND, have been dismantled by the authorities. A common characteristic of these rings is that participants are required to deposit funds to purchase virtual currency through methods such as e-wallet payments. The funds obtained from gamblers are converted into cash via e-wallets. To participate in these gambling networks, players must possess an e-wallet for depositing and transferring funds.

The payment intermediary services are subject to regulation under the 2023 Anti-Money Laundering Law and are, therefore, required to comply with the relevant legal provisions pertaining to AML.

Based on the analysis above, threat of money laundering in the payment intermediary service sector is rated MEDIUM.

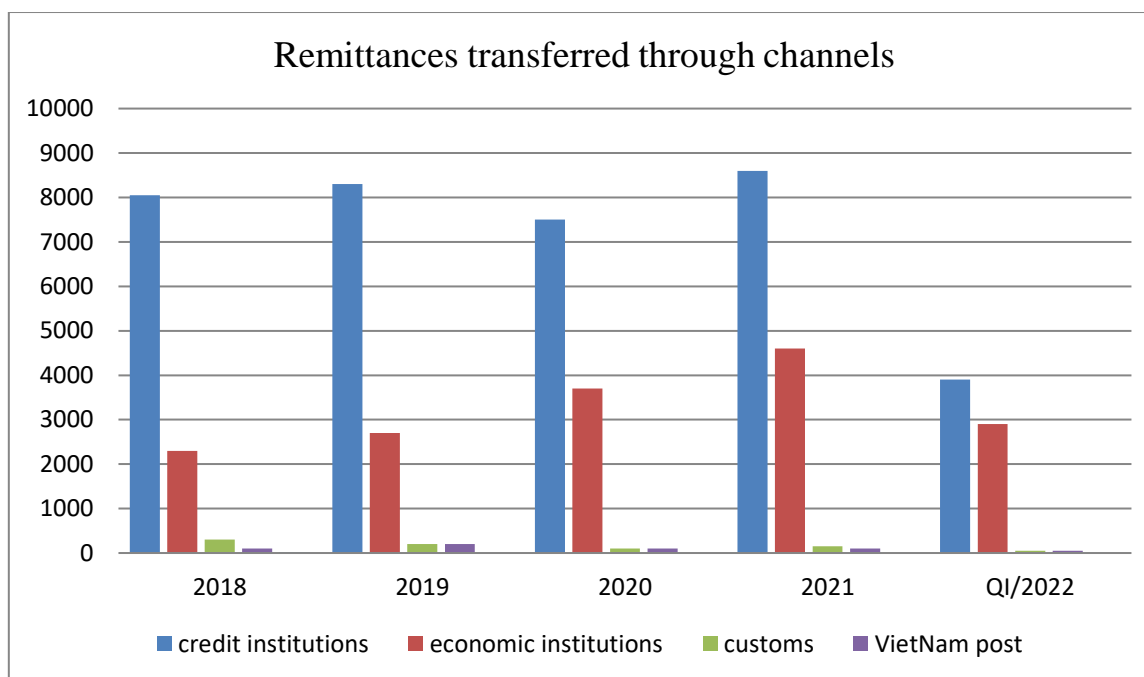
4.3. Foreign Currency Receiving, Payment, and Exchange Agents

Between 2018 and Q1 2022, according to statistics from investigative, prosecutorial, and judicial authorities, there have been no cases of money laundering linked to economic organizations (EOs) directly involved in foreign currency

transactions or acting as foreign currency exchange agents for non-bank financial institutions (NBFIs).

a. Foreign Currency Receiving and Payment Sector

Foreign remittances to Vietnam are typically channeled through: (1) the banking system, (2) EOs directly handling foreign currency transactions, (3) customs, and (4) Vietnam Post.



The volume of remittances transferred to Vietnam from 2018 to the first quarter of 2022 was primarily through the system of credit institutions (accounting for nearly 70%) and economic organizations directly disbursing foreign currency (approximately 30%). The share of remittances through customs and Vietnam Post Corporation was minimal, around 1%. The transaction volume through economic organizations directly disbursing foreign currency averaged about 1% of GDP²⁸.

As of Q1 2022, 27 EOs were licensed to provide direct foreign currency receiving and payment services, primarily concentrated in Hanoi (8 organizations) and Ho Chi Minh City (17 organizations). The proportion of suspicious transaction reports (STRs) received through this channel from 2018 to June 2022 accounted for 4.4% of total STRs submitted to the Anti-Money Laundering Department (AMLD).

Vietnam's legal framework governing EOs directly involved in foreign currency transactions is stringent. Specifically, EOs (not CIs) are not independent money transfer service providers. Under current foreign exchange regulations, EOs can only receive foreign currency remittances from abroad intended for individuals

²⁸ 2018 (0.74%), 2019 (0.81%); 2020 (1.08%); 2021 (1.75%), GDP data is sourced from WB
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(via foreign currency accounts opened at licensed financial institutions) and are prohibited from providing outbound foreign currency transfer services. Outbound foreign currency transfers are exclusively conducted by licensed CIs. Residents who are organizations with foreign currency obtained from one-way remittances must transfer these funds into a foreign currency account at a licensed credit institution or sell the foreign currency to a licensed credit institution. To receive and disburse foreign currency, EOs must open one payment account for each type of foreign currency at a licensed credit institution within the locality where the EOs is headquartered (referred to as a specialized foreign currency account). When making payments or withdrawing foreign currency cash from these specialized accounts for domestic beneficiaries, the EO must provide the CI with a list of beneficiaries, detailing their names and corresponding amounts in the respective foreign currencies. Given the stringent regulations that limit beneficiaries to individuals receiving foreign currency from abroad, prohibit outbound foreign currency transfers, and require payment through specialized accounts subject to scrutiny by licensed CIs, combined with the absence of any investigated, prosecuted, or adjudicated money laundering cases involving these EOs, the money laundering threat of this sector is rated LOW.

b. Foreign Currency Exchange Sector

For foreign currency exchange activities, beyond allowing licensed CIs to provide foreign exchange services, these institutions can also authorize EOs to act as currency exchange agents, following registration with the SBV. These exchange agents are limited to specific locations, including: (1) tourism accommodations (e.g., hotels, resorts) rated 3 stars or higher, (2) international border gates, (3) entertainment centers with services exclusively for foreigners, (4) ticket offices of foreign airlines, maritime companies, and travel agencies, and (5) tourist areas, shopping malls, and supermarkets frequently visited and shopped by foreign visitors.

Currency exchange agents are restricted to purchasing foreign currency cash from individuals in exchange for Vietnamese Dong and are not permitted to sell foreign currency cash to individuals for Vietnamese Dong or other foreign currencies (except for agents at international border gate isolation areas). Currency exchange agents located in the isolated area of international border gates are permitted to sell up to 1,000 USD in cash or an equivalent amount in other foreign currencies to individuals who have completed exit procedures, based on the presentation of their passports. For amounts exceeding 1,000 USD or an equivalent value in other foreign currencies, the sale is allowed if the individual presents a passport along with a receipt indicating the prior exchange of foreign currency at licensed CIs or currency exchange agents in Vietnam. The receipt used for the repurchase of previously exchanged foreign currency is valid for 90 days from the date indicated on the receipt, and the currency exchange agent must collect the previously issued exchange receipt.

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As of 2022, the SBV had licensed 647 EOs as foreign currency exchange agents for CI²⁹.

Year	Number of Currency Exchange Agents	Foreign Exchange Turnover (million USD)
2018	590	281.40
2019	688	336.90
2020	657	91.30
2021	640	22.60
2022	647	62.62

(Source: State Bank of Vietnam)

- The ratio of foreign currency exchange turnover to GDP:

Year	Foreign Currency Exchange/ GDP (%)
2018	0.091
2019	0.102
2020	0.027
2021	0.009
2022	0.015

(Source GDP: IMF)

Foreign currency exchange turnover in 2022 increased significantly (by 176%) compared to 2021, attributed to the easing of the COVID-19 pandemic and the reopening of tourism, leading to a resurgence of foreign visitors.

The average annual foreign currency exchange turnover was approximately USD 158.96 million, with an average turnover-to-GDP ratio of around 0.045%.

The clients of currency exchange agents for credit institutions are primarily foreign tourists. However, since 2020, due to the impact of the Covid-19 pandemic,

²⁹ As of the end of 2016, SBV had granted foreign exchange licenses to approximately 100 commercial banks and foreign bank branches. According to regulations, these entities are authorized to conduct remittance receiving and disbursing activities, as well as operate individual currency exchange counters.

the number of foreign tourists has nearly disappeared, significantly affecting currency exchange activities. This is reflected in a sharp decline in exchange volume (nearly 90%), leading many agents to temporarily suspend operations or cease generating revenue.

Currency exchange agents operating on behalf of CIs contribute minimally to GDP. These agents are authorized to function solely at designated locations, primarily catering to tourists. Their operations are restricted to purchasing foreign currency in cash from individuals using Vietnamese Dong; they are prohibited from selling foreign currency in cash to individuals in exchange for Vietnamese Dong or other currencies. They are regulated by both the authorizing CIs and the local SBV branch. Consequently, the money laundering threat of this sector is rated LOW.

4.5. Pawnshops

Pawnshops or pawn brokers are businesses that offer loans secured by collateral such as gold, jewelry, electronics, or other valuable assets. The pawnshop retains the collateral and returns it when the loan is repaid.

Pawnshops must be licensed to operate. When providing pawnbroking services, the business owner must draft a contract per regulations, and the borrower must present a valid ID or passport for verification and retention of a photocopy. For assets owned by a third party, a valid power of attorney is required from the owner. Pawnshops are prohibited from accepting collateral that lacks clear provenance or assets obtained through illegal activities. If a pawnshop suspects that an asset has been acquired through criminal activity, it must report it to the police (as per Circular 33/2010/TT-BCA issued by the Ministry of Public Security).

In the course of their operations, authorities have identified certain pawnshops as "backyards" for "black credit" syndicates, engaging in high-interest lending and debt collection through "jungle law" practices. In addition, pawn services have become venues where individuals involved in robbery and theft dispose of stolen assets, such as motorbikes, phones, and jewelry. In such cases, there is a high rate (50%) of customers pawning items and then abandoning them. Despite knowing that the assets have questionable origins, many pawnshops still accept them without issuing receipts. Driven by profit, some establishments disregard legal regulations in their operations. Common violations include accepting assets of unclear origin, charging interest rates higher than allowed, failing to record transactions, not requiring identification, storing assets outside of the business premises, and in some cases, accepting assets without ownership documents or operating without proper licenses, such as security and order certificates...

Vietnamese law prescribes specific penalties for such violations under Decree 167/2013/ND-CP, including operating without a security and order certificate, charging interest rates above 150% of the base rate, using pawnshops for illegal activities, or accepting stolen or fraudulently obtained assets as collateral.

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Furthermore, the Penal Code stipulates that, depending on the severity of the violation, the crime of "concealing or consuming property obtained through another's criminal activity" can result in imprisonment for 6 months to 7 years.

Given the potential for further growth in this sector and the inherent high threats associated with its operations, pawnshops are at threat of being exploited by criminals. However, since pawned assets generally have low value, the money laundering threat in this sector is rated at MEDIUM.

4.6. Informal Remittance Channels

Informal remittance channels, known for their low fees, convenience, lack of documentation requirements, and simplicity, are often preferred over formal channels for sending remittances to Vietnam. However, these channels pose a higher money laundering threat compared to formal remittance channels. They are commonly used by individuals such as international students and online import sellers, contributing to the elevated money laundering threat in the remittance sector.

In the ongoing investigation into a multi-trillion VND gambling and money laundering case, it has been revealed that the perpetrators employed various methods to legitimize the illicit funds. These methods include investing in projects, contributing capital to businesses, purchasing real estate, depositing savings, converting funds into gold or foreign currency, and transferring money abroad. However, in this particular multi-trillion VND gambling case under investigation, law enforcement has found that no funds transferred abroad went through the banking system. This strongly suggests that the criminals may have opened personal accounts abroad and transferred money through illicit channels.

Based on the above, the money laundering threat associated with informal remittance channels is rated HIGH.

5. Money Laundering threats in the Gaming and Casino Sector

With the rapid advancements in science and technology, especially in the field of information technology, money laundering activities have expanded globally, employing increasingly sophisticated and complex methods. Money laundering activities within the gaming sector (including casinos, betting, electronic gaming for foreigners, and lotteries) are also following this trend. Moreover, Vietnam has allowed large-scale casino enterprises (with pilot programs permitting Vietnamese nationals to participate) and investors to develop integrated resort complexes, including horse racing tracks and betting infrastructure. This expansion brings inherent risks of both domestic and international money laundering groups seeking to exploit these sectors without effective management and oversight solutions.

To cater to the entertainment needs of foreign investors, businesspeople, and tourists in Vietnam, the government has allowed pilot casino operations since 1992. As of today, the government has granted licenses to 09 casino businesses that only admit foreigners holding valid passports into Vietnam. Except for the casino in Phu
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Quoc, which is piloting access for Vietnamese citizens, the remaining 08 casinos are exclusively open to foreign participants.

Legal Framework Governing Casino Operations

a. Casino Business Operations:

Decree No. 03/2017/ND-CP, dated January 16, 2017, on casino business, effective from March 15, 2017, prohibits certain activities in casino operations, including exploiting casino businesses for smuggling, foreign currency transportation, precious metals and stones trading, and conducting money laundering or terrorist financing. Article 21 of this Decree mandates that casino businesses implement AML measures according to the law, and Article 19 outlines the requirements for internal AML regulations. Casino operators are required to establish and implement internal AML regulations in compliance with the Anti-Money Laundering Law and related guidance. Furthermore, these internal regulations must be communicated to relevant departments and personnel responsible for AML compliance. The internal AML regulations are a mandatory document in the application for a Casino Business Certificate, which must be submitted to the state management agency (the Ministry of Finance) for inspection of completeness and compliance.

b. Foreign Exchange Management in Casino Operations:

- As per Circular 10/2017/TT-NHNN, dated August 30, 2017, issued by the Governor of SBV, casino businesses are required to open a dedicated foreign currency account for each type of foreign currency at a licensed bank. This account is exclusively used for daily foreign currency transactions in casino operations, including:

(i) Receiving cash in foreign currency from the sale of conventional currency, gaming machines; transfers from foreign accounts or foreign currency accounts at Vietnamese banks held by foreign players.

(ii) Disbursing cash in foreign currency or transferring funds to pay out winnings, or refunding unplaced amounts.

Given the unique nature of casino operations, businesses are permitted to maintain a cash reserve in foreign currency to meet payout needs and to exchange conventional currency for foreign players. The cash reserve level must be specified in the License for Foreign Currency Transactions and other foreign exchange activities issued by the SBV. Any changes to the cash reserve level must be approved by the SBV.

- For cash reserves exceeding the allowed limit, to prevent money laundering, casino businesses must deposit the excess into the dedicated account on the next business day following the day of cash inflow from casino operations.

- Regarding the receipt and use of winnings, Vietnamese law clearly stipulates: (i) Foreign players can receive their winnings in foreign currency or Vietnamese dong; (ii) Vietnamese players can receive their winnings in Vietnamese dong (either in cash or via transfer).

The ability of casinos to collect and pay in foreign currency transactions introduces potential money laundering threats. However, to ensure proper management and prevent money laundering, the law mandates that winnings be credited to the player's foreign currency account at a licensed bank in Vietnam or transferred abroad through a licensed bank. In cases where players wish to carry their cash winnings abroad, the transaction must be verified by the licensed bank based on the presentation of a prize or winnings certificate, and the conversion of conventional currency.

c. Administrative Penalties in Casino Operations:

Decree No. 137/2021/ND-CP, effective January 1, 2022, regulates administrative penalties in the betting and gaming sector, including Section 4, which outlines violations of AML and anti-terrorism measures. For violations related to AML, fines range from VND 40 million to VND 60 million for failure to update customer identification information; VND 60 million to VND 100 million for failure to implement customer identification measures; failure to report large-value or suspicious transactions; and VND 180 million to VND 200 million for failure to conduct enhanced monitoring of unusually large transactions or facilitating money laundering activities not yet subject to criminal prosecution.

According to data compiled by the Anti-Money Laundering Department - Banking Inspection and Supervision Agency, from 2018 to June 2022, approximately 9,000 STRs were received from reporting entities, with no cases or STRs from the casino sector being referred to law enforcement or receiving feedback. This is surprising given the relatively high trend of money laundering in the global casino sector. However, the establishment of a comprehensive legal framework for managing casino operations, combined with widespread AML efforts through various media channels, particularly the internet, and professional training sessions by regulatory agencies, has significantly reduced the threat of money laundering in the casino sector in Vietnam in recent years.

From 2018 to June 2022, according to statistics from investigative, prosecutorial, and judicial authorities, no money laundering cases related to casinos were investigated, prosecuted, or adjudicated in Vietnam.

Money laundering threat in the casino sector arise from the possibility of criminals using illegal cash to exchange for conventional currency to participate in betting. However, in practice, criminals do not engage in playing or play with a minimal amount of conventional currency, or after a certain period, request the return of unused or nearly unused conventional currency to their bank account.

Based on the above analysis and the current situation in Vietnam, the money laundering threat in the casino sector is rated MEDIUM LOW.

6. Money Laundering Threats in the Real Estate Sector

Real estate is regarded as a driving force in the economy, contributing approximately 8% of GDP. Investment in the real estate sector benefits both law-abiding citizens and those who exploit this field for criminal purposes. For a long time, real estate has been highly valued. For criminals, the most crucial aspect is the ability to use this sector to conceal the origin of funds, assets, and the identity of the ultimate beneficial owner of the property—two key elements in the money laundering process.

Hence, real estate is crucial not only to the overall economy but also to the financial system, with its influence extending to 40 other key economic sectors such as construction and manufacturing. According to the Real Estate Business Law 2014, the sector's clients include domestic organizations and individuals, overseas Vietnamese, and foreign-invested enterprises. The broad accessibility of the real estate market, the removal of personal restrictions on property ownership, economic development, and the growth of tourism have led to a significant increase in financial transactions related to real estate. For criminals, these factors, in turn, have heightened the threat of the sector being misused for laundering illicit funds.

According to assessments from several relevant organizations, the threat of money laundering in the real estate management services, real estate brokerage, and real estate trading floor sectors stems from several key challenges, including: (i) Cash payments are still prevalent in real estate transactions in Vietnam, with many deals occurring spontaneously outside formal exchanges; (ii) the large volume and high value of transactions; (iii) the Real Estate Business Law 2014 does not mandate that real estate transactions must be conducted through banks, so cash, gold, and foreign currency payments remain common. Consequently, the real estate sector can become a safe haven for money laundering, concealing illicit assets, corruption, or proceeds of crime; (iv) the system for updating customer information and verifying customer identities, especially for transactions outside formal exchanges, is still inadequate.

Given the large sums of money invested in real estate, combined with the frequent use of cash or bank transfers that bypass regulated real estate exchanges, it is difficult for authorities to trace the origins of funds. A common money laundering tactic is for criminals to use family members to purchase, transfer, or gift real estate. Notably, in Vietnam's first successfully prosecuted money laundering cases between 2018 and 2022, many of the confiscated assets were real estate-related. To launder money, criminals typically purchase real estate in the names of family members, then transfer or gift these properties.

It is evident that the number of suspicious transaction reports (STRs) received from the real estate sector is significantly low compared to the total number of STRs

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received by the Anti-Money Laundering Department. Some STRs in the real estate sector originate from credit institutions. However, only occasionally do STRs submitted to the Anti-Money Laundering Department come from real estate agents, and there are no STRs from notaries and lawyers, despite their frequent and close involvement in transactions. Therefore, one of the key priorities moving forward is to enhance awareness among reporting entities in this sector. Based on the above analysis, it is clear that the threat of money laundering in the real estate sector is rated HIGH.

7. Money Laundering Threats in the Precious Metals and Gemstones Sector

The precious metals and gemstones sector in Vietnam includes activities such as trading in gold bullion, gold jewelry, and other precious metals and gemstones like silver, platinum, diamonds, rubies, sapphires, and emeralds. This sector is regulated under the Anti-Money Laundering Law 2022.

The State Bank of Vietnam oversees the trading of gold bullion and gold jewelry, while the Ministry of Industry and Trade regulates the trading of other precious metals and gemstones (excluding gold).

Although no money laundering cases have been reported in this sector, its characteristics—such as the high prevalence of cash transactions—make it vulnerable to money laundering. Criminals tend to invest a portion of their illicit funds in precious metals and gemstones as a store of value, which increases the money laundering threat in this sector.

Based on the above analysis, the money laundering risk in the precious metals and gemstones sector is rated MEDIUM.

8. Money Laundering Threat in Investment Trust Services, Company Formation and Management Services

Investment trust services, company formation, and management services are subject to AML regulations. These services are potentially high-threat for money laundering due to their ability to provide high levels of anonymity for beneficial owners. Services such as trust creation, acting as trustees, or services involving third parties (even if not part of a business relationship) like law offices assisting in company formation, can be exploited for money laundering. However, in practice, no cases of money laundering originating from investment trust services, company formation, or management services have been investigated, prosecuted, or adjudicated.

Based on the above analysis, the money laundering threat in investment trust services, company formation, and management services is rated LOW.

9. Money Laundering Threat in Accounting and Auditing Services

According to the Anti-Money Laundering Law, entities engaged in accounting services are considered reporting entities. However, from January 1, 2018, to September 30, 2022, no money laundering cases or suspicious transaction reports (STRs) have been recorded in the accounting and auditing sector.

- Regarding the number of reporting entities: As of September 2022, Vietnam has 151 accounting service companies and 210 auditing firms.

- From 2018 to September 2022, according to statistics from investigative, prosecutorial, and judicial agencies, no money laundering cases related to the accounting sector have been investigated, prosecuted, or adjudicated.

The accounting sector has extensive linkages with other industries and sectors in the economy, and its business activities are broad and complex. Transactions prepared or executed by accountants for their clients often involve various sectors such as banking, finance leasing, securities, and real estate. With increasingly sophisticated money laundering tactics, criminals may exploit accounting and auditing service providers to bypass legal regulations or overlook violations during audits of shell companies established for money laundering purposes. Services provided by accountants include tax planning, mergers and acquisitions, and the establishment of offshore companies. These complex and valuable services can be easily exploited to conceal the identities of criminals.

However, considering the size and market share of the accounting and auditing sector within the overall economy, it is relatively small. Specifically, its revenue contribution and tax payments to GDP are negligible compared to other sectors. Additionally, since 2018, accounting service providers and auditing firms have implemented and enhanced AML measures, while regulatory authorities have intensified inspections and oversight to ensure compliance with AML regulations and have established entry barriers to improve service quality.

The money laundering threat in the accounting and auditing services sector is rated MEDIUM-LOW.

10. Money Laundering Threat in Legal and Notarial Services

Legal services and notarial practices are among the non-financial businesses and professions subject to the Anti-Money Laundering Law.

In the provision of notarization services, notaries engage in various activities, including drafting contracts and transactions (when requested to review the draft contract or transaction by the client), and explaining to the client their rights, obligations, and legal benefits, as well as the meaning and legal consequences of entering into contracts or transactions. Notaries certify contracts and transactions that are legally required to be notarized or that individuals or organizations voluntarily request to be notarized. Threat of money laundering associated with notaries may arise from their role in the notarization process...This poses challenges to the notarial profession. Moreover, money laundering threat may also arise due to: (i) limited [Type here]

awareness among notaries regarding AML, leading to the failure to recognize suspicious transactions when providing services; (ii) the fact that civil transactions are primarily conducted in cash, making it difficult to determine the actual value of contracts. The contract value recorded in notarial transactions is often agreed upon by the parties involved, making it challenging to control inflation or deflation of contract values during notarization; (iii) in some cases, notaries, with their knowledge and experience, may recognize irregularities but choose to overlook them, believing that AML is beyond their scope of responsibility.

Lawyers typically have obligations tied to their areas of practice, including providing legal advice, consulting on contract drafting, and advising on transactions and legal matters for clients. In practice, threat of money laundering in the legal field is notably linked to their involvement in real estate transactions, particularly in drafting contracts and advising on real estate purchase and sale transactions. Recently, it has not been uncommon for lawyers to act as witnesses in real estate transfer transactions. Many of these transactions do not meet the legal requirements for transfer and, therefore, cannot be notarized or certified according to the law. Taking advantage of the lack of knowledge among some citizens, certain individuals have devised schemes to create fake projects, subdivide agricultural land, and defraud customers of billions of VND through the tactic of "signing real estate purchase and sale agreements through a law office." Threat of money laundering in the legal field may arise from the following factors: (i) Lawyers' limited awareness of AML knowledge, leading to their inability to recognize suspicious transactions when providing services; (ii) In some cases, lawyers, due to their deep understanding of the law, may exploit legal loopholes to advise clients on actions related to money laundering activities.

Based on the above content, threat of money laundering in the provision of notary and legal services is rated MEDIUM LOW.

CHAPTER 2. NATIONAL VULNERABILITY

I. Summary

A national vulnerability assessment is an assessment of the weaknesses or vulnerabilities of the national prevention system against ML activities. In the framework of the National Risk Assessment (NRA) report, the country's overall vulnerability is assessed based on considering the factors that constitute a country's AML capacity (national ML vulnerability).

The assessment method and variables selected for evaluation in this Report are inherited from the first NRA Report for the period 2012-2017. The national vulnerability assessment includes two components:

Part 1 is an assessment of the effectiveness of the national AML capabilities, which analyzes 22 variables related to the effectiveness of the implementation of all systems and processes to identify, investigate and prosecute ML criminals as well as the possibility of seizure, freezing and confiscation of related funds/assets. The purpose of this is to identify and prioritize the most important areas for improvement.

Part 2 is an assessment of the ML vulnerability of specific sectors (banking, securities, insurance, other financial institutions, DNFBPs and virtual assets). These assessments are carried out by separate Assessment Groups. The relative size and importance of each sector to the overall economy were considered when determining a country's overall ML vulnerability.

National vulnerability is assessed as MODERATE/MEDIUM based on the implementation effectiveness rating of the variables indicated below:

Table 2. 1: Summary of results of national ML vulnerability assessment

Part 1: Assessment of the effectiveness of national AML capabilities	Rating level
Policies and implementation of AML policies and strategies	MEDIUM
2. Criminalize ML	MEDIUM
3. Financial Intelligence Unit (FIU) - AMLD	MEDIUM
4. Capacity and resources for financial crime investigation	MEDIUM
5. Integrity and Independence of financial crime investigators	MEDIUM
6. Capacity and Resources of Financial Crime Prosecutions	MEDIUM
7. Integrity and Independence of Financial Crime Prosecutions	MEDIUM

8. Regarding capacity and resources for Financial Crime Judicial Processes	MEDIUM
9. Integrity and Independence of Financial Crime Judges	MEDIUM
10. Assets Confiscation	MEDIUM
11. Quality of Border Controls	MEDIUM
12. Comprehensiveness and effectiveness of the customs regime	MEDIUM
13. Domestic cooperation	MEDIUM
14. International cooperation	MEDIUM
15. Availability of Reliable Identification Infrastructure	MEDIUM
16. Availability of Independent Information Sources	MEDIUM
17. Availability of Independent Audit	MEDIUM
18. Formalization Level of Economy	MEDIUM
19. Effectiveness of Tax enforcement	MEDIUM

Part 2: Assessment of ML vulnerability	Rating level
<i>1. Banking sector</i>	Medium high
<i>2. Securities sector</i>	Medium
<i>3. Insurance sector</i>	Low
<i>4. Other financial institutions</i>	
Foreign currency payment and exchange Agents	Low
Non-bank credit institutions (General finance companies, financial leasing companies, consumer credit finance companies)	Medium
Microfinance institutions; microfinance programs and projects	Low

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People's Credit Fund	Low
Local Development Investment Fund	Medium
Intermediary Payment Service Providers	Medium
Pawn shop	Medium high
Informal Money Transfer Channel	Medium high
5. DNFBPs	
Casino and Prize-winning games	Medium
Real estate management services, real estate brokerage, and real estate trading centers	Medium high
Precious metals and gemstones business	Medium
Lawyers, notaries and other independent legal experts	Medium Low
Accounting and Auditing services	Low
Investment Trust Services	Low
Services for establishment and management of enterprises	Medium

Although Vietnam's AML mechanism has made certain progress in terms of legal framework and implementation effectiveness, Vietnam's national ML vulnerability is still rated at MEDIUM level due to certain limitations in implementation effectiveness, specifically:

The strengths and developments in Vietnam's AML mechanism in recent times are shown in the following points:

1. The system of legal documents, policies and Plans on AML/CFT continue to be improved. The introduction of the Penal Code in 2015 (amended in 2017), the Resolutions of the Council of Judges guide the implementation of Article 299 – Crime of Terrorism, Article 300 – Crime of Financing terrorism and Article 324 – Crime of ML of the Penal Code 2015 and the AML Law 2022 have contributed to address shortcomings in AML/CFT legal framework and are important for effectively AML/CFT implementation. Vietnam has organized and implemented AML policies and strategies and achieved certain results as well.

2. The National Coordination Committee (NCC) on AML continues to play an important role in directing AML activities through promulgating and organizing the implementation of National Action Plans on AML/CFT/CPF.

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3. ML activities are clearly defined in the Penal Code with penalties which are proportionate and dissuasive for both natural and legal persons. The ML investigation, prosecution and adjudication have been promoted by competent authorities.

4. The legal framework on Asset confiscation and forfeiture continues to be researched and improved by competent agencies. The Ministry of Justice has been coordinating with relevant ministries to research the mechanism for non - conviction confiscation and asset recovery. With the drastic direction of the Party and Government, competent agencies continue to implement solutions to promote confiscation and asset recovery in order to increase the rate of asset recovery, especially assets in corruption cases.

5. Capacity and Resources for the investigation, prosecution, and adjudication of financial crimes, Integrity and independence of investigators, prosecutors, and judges have been fundamentally meet the requirements.

6. International cooperation activities continue to be promoted.

7. Issues related to auditing, financial transparency, tax efficiency, economic formalization, availability of Reliable Identification Infrastructure, the availability of independent information sources is continuing to strengthen according to international standards.

8. Issues related to border controls basically meet the requirements.

However, Vietnam's AML mechanism still has weaknesses that need to be overcome, including:

1. The development and implementation of AML policies and strategies have not been risk – based carried out. The AML coordination of ministries also have certain limitations and affected by administrative procedures; therefore, coordination efficiency is still not high.

2. Regulations on ML and asset recovery in legal documents still have limitations compared to the requirements of international standards. Criminal liability for ML has not yet been applied to non-commercial legal persons. Asset recovery is often associated with investigation, prosecution, and conviction of associated predicate offenses, but not yet associated with ML offence. The number of investigations, prosecutions and trials of ML is still limited, not commensurate with the number of investigations, prosecutions and conviction of associated predicate offenses, especially in groups of associated predicate offenses with high ML risk.

3. The Financial Intelligence Unit - AMLD is still limited in its role, position, functions, authority and capacity. Accordingly, the quality of the AMLD's financial intelligence information is limited, focusing on predicate offenses, which leads to the

number of AML investigation cases stemming from the AMLD 's financial intelligence information is negligible.

II. Specific Findings

1. Policies and implementation of AML policies and strategies

This variable assesses whether the country effectively formulates its national AML policy and strategy. This variable is rated as: MEDIUM.

1.1. The AML National Coordination Committee (NCC) was established in 2009 to reflect the political level leadership and commitment of Vietnam on AML/CFT. NCC is currently operating under Decision No. 581/QĐ-TTg dated May 12, 2022 with the Deputy Prime Minister as head of the Committee, members are leaders of 16 ministries. At the working level, NCC is assisted by a standing Working Group whose members are officials from ministries. NCC has played an important role in developing and implementing national policies and strategies on AML/CFT as well as developing ML/TF National Risk Assessment (NRA) Reports.

1.2. The tasks and powers of the NCC, and the responsibilities of relevant ministries in AML are clearly stipulated in legal documents (Chapter III of the AML Law 2012 and 2022). 2022; Decision No. 581/QĐ-TTg). Through mechanism of regular and extraordinary reports and meetings, the Head of NCC has given close and timely instructions and issued policies and AML/CFT Action Plans. During the period 2018-2022, 02 National Action Plans³⁰ have issued by Head of NCC and were implemented by ministries.

1.3. Vietnam has issued a NRA Report period 2012-2017 and an Action Plan to address the ML/TF risks for the period 2019-2021 (Post -NRA plan)³¹. The post-NRA plan is developed based on the 2012-2017 NRA results with the aim of addressing the ML/TF risks and is applied and implemented for all ministries, sectors. Post-NRA plan sets out national-level policies and high-level strategies to address legal, institutional and capacity gaps. The agency-specific action plans developed by ministries and agencies also include overarching principles and general measures to address institutional and capacity gaps in ministries and agencies.

1.4. National Action plan on AML/CFT/CPF period 2021-2025 issued with Decision 941/QĐ-TTg requested *"Updating Vietnam's NRA on ML/TF in the period 2018 - 2022 and develop an Action Plan to address ML/TF risks identified in the NRA results"*. Accordingly, in early 2022, Vietnam conducted NRA on ML/TF for the period 2018-2022.

1.5. The AML Law 2022 stipulates the responsibility for assessing ML risks at the national, sector and industry levels and entity level as well as risk-based

³⁰ National Action Plan to address ML/TF risks period 2019-2021 (Post - NRA Plan) issued together with Decision No. 474/QĐ-TTg dated April 30, 2019; National Action plan on AML/CFT/CPF period 2021-2025 issued with Decision 941/QĐ-TTg dated August 5, 2022.

³¹ Issued together with Decision No. 474/QĐ-TTg dated April 30, 2019.

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prevention measures. The Decree guiding the 2022 AML Law stipulates principles, methods and criteria for assessing national ML risks; The Circular guides the 2022 AML Law stipulates methods and criteria for assessing ML risks at reporting entities. Previously, since 2020, the reporting entity has performed the ML risk assessment obligation at entity level according to the provisions of Circular 20/2019/TT-NHNN dated November 14, 2019.

1.6. Since 2020, the AMLD (FIU Vietnam) has been receiving ML risk assessment reports from reporting entities. Based on the review of risk assessment reports of reporting entities, it is shown that the understanding and compliance with risk assessment obligations at reporting entities is different among sectors. In particular, the banking sector shows a better awareness of compliance with this obligation, demonstrated through the quantity and quality of reports. Meanwhile, the DNFBPs and small financial institutions sectors show limited awareness and compliance with this obligation.

1.7. Coordination and cooperation at the technical level on AML is still not really effective when the competent agencies are not linked through a common coordination mechanism on AML at the technical level; The members of the Working Group are all part-time officers so the work of advising and implementing tasks is still limited; AMLD (FIU), the core unit in AML in general and advises and coordinates the activities of NCC and the Working Group in particular, is still limited in resources and authority, which affects to coordination and coordination activities. While the Post-NRA Plan focusing on solutions to address legal, institutional and capacity gaps which are important steps for Vietnam to further address the identified ML/TF risks, these measures lack prioritization of actions based on the risks identified and there are no mechanisms at national and policy levels to monitor progress of action plan implementation. There are currently no documents guiding on ML risk assessment at reporting entities, thus, the quality of risk assessment reports of reporting entities is not equal, especially in DNFBPs sectors.

2. Criminalize ML

This variable assesses whether the country defines the money laundering offense comprehensively in law and whether it is possible to enforce and obtain convictions based on this law. This variable is assessed as: MEDIUM.

2.1. On June 29, 2009, The National Assembly passed the Law amending and supplementing a number of articles of the Penal Code in 1999, "Crime of ML" was officially amended from "Crime of legalizing currency and property obtained from crime" according to Article 251 of the 1999 Penal Code. This amendment and supplement are intended to make the internal law compatible with the United Nations Convention on Crime Prevention (Palermo Convention 2000), created a legal basis to effectively fight this crime in Vietnam and actively contributed to international cooperation in the fight against this type of crime.

However, adjudicial practice shows that the application of provisions in Article 251 on ML is still problematic and inadequate.

To ensure uniformity in the legal system, address the deficiencies, the Penal Code 2015 stipulates “Crime of ML” in Article 324 with amendments and supplements on the subject, the signs determining the crime (the objective aspect of the crime), the circumstances determining the penalty frame and fine level. Article 324 has been amended and supplemented in 2017 with supplementing of Clause 6 on commercial legal person.

Article 324 of the Penal Code 2015 (amended and supplemented in 2017) has expanded the scope of subjects, that is criminalization responsibilities of not only nature person but also commercial legal person. Regarding the signs to determine the criminal act (the objective aspect of the crime), Article 324 of the Penal Code in 2015 added the sign of *"obtained through his/her own commission of a crime"* and modified the sign of *"knowing clearly that it was the result of the crime"* to *"knowing or having a basis to know that obtained through another person's commission of a crime"* into the composition of the crime. The addition of the sign *"obtained through his/her own commission of a crime"* shows that the person who committed the predicate offenses is also the subject of this crime (i.e. the act of self-laundering money).

Resolution No. 03/2019/NQ-HDTP dated May 24, 2019 issued by the Council of Judges of the Supreme People's Court provides legally binding guidance for the application of Article 324.

2.2. According to the Penal Code 2015 and Resolution No. 03/2019/NQ-HDTP, the predicate offenses of ML is crimes specified in the Penal Code and property/proceeds obtained from those crimes become the object of ML crime. With this regulation, predicate offenses of ML include serious crimes. The list of FATF’s predicate offenses is mostly regulated in the Penal Code 2015. In particular, ML committed by an organized group is considered a circumstance that aggravates criminal liability and the penalty for those participating in the crime in this case is higher than regular cases. The prosecution for criminal liability for ML can be conducted simultaneously with and does not exclude the prosecution for criminal liability for the predicate offenses.

2.3. According to Article 324 of the Penal Code 2015, the penalty for individuals who commit ML is from 1 to 5 years in prison (clause 1). Sanctions may be increased for aggravating circumstances (clauses 2-3). Acts of preparation for committing ML crimes are also subject to a penalty range of 6-36 months in prison (Clause 4). According to clause 5, offenders may also be fined from 20 million VND (850 USD) to 100 million VND (4,300 USD) or prohibited from holding certain positions or doing certain jobs for a period of 1-5 years or confiscation of all/part of that person's assets. Prison sentences for natural persons convicted of ML are

commensurate with those available for other serious crimes in Vietnam and are considered proportionate.

2.4. Ancillary offences are included in the Penal Code 2015, for all types of crimes, including preparation for crimes (Article 14), attempts (Article 15) and Complicity (Article 17). Complicity includes elements of abetting, facilitating; and counselling the commission as the requirement of UN Conventions. Preparation for the commission of the ML offence is also specifically criminalized in Clause 4 of Article 324.

2.5. The Penal Code 2015 also stipulates the criminal liability of commercial legal persons for ML (Article 76). However, the criminal liability of legal persons outlined in Article 76 of the Penal Code includes some but not all of the designated categories of predicate offences. Article 75 of the Penal Code 2015 specifies the conditions for a corporate legal entity to bear criminal responsibility and states that the fact the corporate legal entities have criminal liability does not exclude the criminal liability of associated natural persons. Available sanctions are considered proportionate and dissuasive, with fines ranging from VND 1,000,000,000 (approx. USD 43,160) to 10,000,000,000 (approx. USD 431,600), and possible suspension of operations and mandatory winding-up and prohibition of operating in some sector or raising capital (Article 324).

2.6. The Penal Code 2015 does not stipulate the criminal liability of non-commercial legal person for ML. However, the decrees on registration and management of activities of Non-Profit Organizations (NPOs)³²- a type of non-commercial legal entity - have provisions that these legal entities can be suspended or revoked. registration, or must be dissolved due to ML.

2.7. Article 4 and Article 5 of Resolution 03/2019/NQ-HDTP guide Crime determination circumstances and Penalty determination circumstances. The Council of Judges' instructions are only intended to ensure the synchronized application of criminal law provisions in adjudicial, and are not a basis for determining crimes or penalties. Accordingly, the Trial Chamber relied on this guidance and the understanding of the impact of ML when considering the seriousness of the ML crime and making appropriate decision. The Trial Chamber has authority to use judgment tools applicable to the offender.

2.8. With the current criminal law on ML, there are still some shortcomings related to the crime of ML such as: (i) does not covered transfer and transmission, (ii) no criminal liability provisions for non-commercial legal persons and some serious crimes do not apply to all legal persons besides the commercial legal persons; (iii) The fines (although fines are additional penalties) are assessed by APG³³ as not proportionate or dissuasive. In addition, several acts such as corruption, drug or

³² Decree No. 12/2012/ND-CP (Article 15), Decree No. 30/2012/ND-CP (Articles 37-38) and Decree No. 45/2010/ND-CP (Article 29) .

³³APG's assessment in the 2019 Multilateral Assessment Report (chapter 52, page 132).

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weapons trafficking and most forms of fraud committed by commercial and non-commercial legal persons will not be prosecuted for criminal liability under Article 76 of the Penal Code and therefore it is impossible to prosecute criminal liability for ML against legal entities that committed the above-mentioned predicate criminal acts. The deficiencies in Vietnam's legal framework on ML crimes need to be researched and overcome by competent agencies in the future.

However, compared to the period 2012-2017, the criminal regulations on ML have been more improved with the amendment of the Penal Code and the issuance of Resolution 03/2019/NQ-HDTP. That creates a legal basis for law enforcement agencies to deploy and promote the ML investigation, prosecution and judgement which is demonstrated by the increase in the number of successful ML conviction cases.

Table 2.2. Statistics on investigation, prosecution and conviction of ML

Year	Number of ML investigation cases	Number of ML prosecution cases	Number of ML conviction case
2018	1	0	0
2019	3	2	2
2020	2	1	0
2021	7	2	1
June 2022	6	2	3
Total	19	7	6(*)

(Source: Supreme People's Procuracy)

(*) Of the 6 ML conviction case mentioned above, 01 case with proceeds originated from the act of "smuggling" and 01 case with proceeds originated from the act of "Illegally collecting, storing, exchanging, buying and selling and publicizing information on bank accounts", 04 cases with proceeds originated from the act of "Fraudulent appropriation of assets".

3. Financial Intelligence Unit (FIU) – AMLD

This variable assesses the effectiveness of the Financial Intelligence Unit (FIU) in collecting, maintaining, analyzing and disseminating STRs as well as threshold reports and activities supporting ML investigation and confiscation and assets recovery.

This variable is rated as: MEDIUM.

3.1. Anti-ML Department (AMLD) acts as Vietnam FIU, was established according to the administrative FIU model and housed within the Banking Supervision Agency (BSA) of the SBV. AMLD acts as the national center to receive, analyze, and disseminate financial intelligence and other information related to ML and TF; collects cash transaction reports (CTRs), cross-border wire transfer reports (EFTs), STRs, and other information from REs and disseminates the financial intelligence to LEAs. The AMLD plays an instrumental role in coordinating AML/CFT efforts in Vietnam.

As of October 2022, AMLD is structured with 04 functional Divisions with 44 staffs trained in majors: finance, banking, law, administration, international relations, and information technology etc., including 12 employees assigned to analyze STRs; The headquarters of AMLD is located on a separate floor in the headquarters of the SBV with security guards to control access to the headquarters. The IT system of AMLD is decentralized and control layers are in place to control who has access to IT systems. AMLD data center is located in a separate room at the Headquarters of the State Bank of Vietnam and only accessed by AMLD's IT staffs. The Director of AMLD is responsible for assigning access rights to employees on the technology platform.

3.2. According to its functions and tasks ³⁴, AMLD has the function of analyzing information and reports, requesting information and disseminating information to competent authorities. The AMLD Director is responsible to the General Director of BSA and the Governor of SBV for all activities of AMLD.

3.3. AMLD is responsible for implementing the information confidentiality regime in accordance with legal regulations (Law on AML and relevant confidentiality laws). AMLD employees are required to sign a confidentiality acknowledgment letter including the following main contents: Strictly implement the provisions of law on protecting state secrets; Do not reveal or leak state secrets; commit not to reveal state secrets when leave the job.

3.4. Responsibility for reporting and providing information of reporting entities and responsibility to receiving, analyzing and disseminating information, including STRs have been specifically regulated in AML/CFT legal framework. AMLD issued a Procedure for handling suspicious information and transactions³⁵, which clearly states the responsibilities of analysts in conducting strategic and operational analysis. AMLD has issued 04 strategic analysis reports including: (i) analysis of trends of criminal groups in organizing gambling, gambling, and online betting through STRs in the period 2015-2019; (ii) analyze trends of target STR groups related to money transfers into and out of Vietnam; (iii) Trend analysis report

³⁴ Article 2 of Decision No. 1367/QĐ-NHNN issued on June 26, 2019, amended by Decision No. 2393/QĐ-NHNN issued on November 14, 2019

³⁵ The procedure was developed in 2013 and replaced by Decision No. 185/QĐ-CucIII.2 dated December 30, 2016, which clearly stipulates the steps to process STRs information at AMLD and then amended and supplemented by Decision No. 99/QĐ-Cuc III.2 of 2019.

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of STRs related to tax evasion and tax fraud; (iv) Analysis report of fraudulent/fictitious card payment transaction information.

According to the law, reporting entities can submit STRs in two forms: text or electronic file. The AMLD 's software for receiving STRs reports supports reporting entities in sending STRs reports as well as supports AMLD in managing, processing and looking up STRs effectively. In addition to the STRs collection and processing system, the AMLD also collects and builds a database of CTR and EFT to serve STRs analysis activities. Currently, this database of reports mainly serves to provide information upon request of competent authorities and is limited use in analyzing STRs.

3.5. From the results of analyzing information, STRs and other reports, AMLD disseminated (proactively and upon request) information related to ML/TF to competent authorities for supervision, investigation, prosecution and crime prevention purposes. From 2018 to 2022, AMLD disseminated **583** cases regarding 4,262 STRs (please see Table 2.3 below). Financial intelligence disseminated by AMLD to law enforcement agencies mostly focuses on predicate offenses (instead of ML). After receiving information disseminated by AMLD, the authorities have processed and provided feedback to AMLD on the results of the investigation, verification of the cases.

Table 2.3. Results of AMLD analysis and dissemination

Year	Received	No of analyzed STRs	No of disseminated STRs	No of disseminated Cases	Feedback
2018	1,540	1,450	749	142	57*
2019	2,156	1,032	1,157	135	160**
2020	1,811	1,404	1,009	97	69***
2021	2,156	1,238	443	58	80****
2022	2,698	2,007	904	151	41*****
TOTAL	10,370	7,131	4,262	583	407

(Source: State Bank of Vietnam)

3.6. The AML Law and guidance documents stipulate the authority of AMLD in accessing many sources of information from reporting entities; exchange information with competent authorities; responsibility of reporting entities in providing information to AMLD for AML/CFT purposes.

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According to AML Law, AMLD (SBV) could obtain information related to: (i) the information declaration on the across - border transportation of cash, precious metals, gems and negotiable instruments from the General Department of Customs; (ii) additional information from reporting entities; (iii) information from the Ministry of Public Security on new ML methods/ trend of domestic and foreign ML criminals.

Currently, AMLD staff could: (i) access the AMLD database system to get information on CTR, EFT, domestic wire transfer (DWT); (ii) database of the BSA and SBV for relevant information according to regulations; (iii) CIC's database to check information about credit relationships/history of the subjects mentioned in STRs. In addition, AMLD is also looking up data of Worldcheck and the Financial Investigation Bureau (FIB) of the International Chamber of Commerce for analysis purpose.

3.7. Vietnam applied for membership of the Egmont Group of Financial Intelligence Units (Egmont) from 2009 and currently still holds an observer status with Egmont due to not fully met the Egmont requirements (in particular the requirement regarding AMLD's independence and authority of signing MOUs). AMLD lacks secure gateways for information exchange with foreign FIUs because AMLD's information exchange is mainly via email or paper documents and Vietnam is not a member of Egmont which is unable to use Egmont Secure Web. The majority of the requests sent by AMLD related to organized gambling, rather than ML or other higher-risk predicate offenses. AMLD has also not collected information on ML/TF from foreign partners, so AMLD's analysis often does not include information from foreign partners.

3.8. In conclude, AMLD has not been given enough necessary authority and resources to carry out the functions of the Financial Intelligence Unit (FIU) in an independent and autonomous manner (*has not been given enough authority to collect, disseminate and exchange information on AML/CFT and sign MOU with domestic and foreign partners in accordance with the provisions of the AML Law, not have its own budget, limited personnel and technology sources*). The number of STRs and other reports (CTR, EFT) received by AMLD is generally low and has not created a good database for analysis. The number of reports from high-risk sectors such as real estate, casinos, foreign exchange and money transfer companies is insignificant. AMLD cannot access directly to law enforcement databases/platforms for exchanging information electronically, information exchange is carried out manually in written form. STR information disseminated by AMLD to law enforcement agencies is insignificant in quantity and low quality due to the lack of information and analytical tools supporting analysis activities. Therefore, there are few of ML or predicate offenses investigations and prosecutions to be triggered from AMLD's information transferred.

4. Investigate financial crimes

Capacity and resources for financial crime investigation

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This variable assesses whether the country has adequate capacity and resources to effectively investigate ML offenses, associated predicate offenses and the proceeds of foreign predicate offenses. This variable is rated as: MODERATE/MEDIUM.

4.1. Vietnam does not have a specialized investigation agency for financial crimes. Pursuant to the Law on Organization of Criminal Investigation Agencies 2015, the function of investigating financial crimes is assigned to the Investigation Agencies of the Ministry of Public Security (MPS), including the Police Investigation Agencies and the Security Investigation Agencies at all levels (in which Economic Security Force has the function of initial investigation of financial crimes and ML as assigned). In addition, Investigation Agencies under the Ministry of Defense also investigates these crimes when the perpetrator is a soldier or the crime is related to the military. Within MPS, the agencies assigned to investigate ML crimes include: Police Investigation Agency (at ministerial level), Police Investigation Departments at Provincial and Districts level. During the investigation, investigators are provided with investigation funds to ensure investigation activities and can use appropriate tools, means, and techniques (by themselves or can collaborate with other professional forces within the MPS or other agencies outside MPS for need means/tools).

Vietnam does not have the position of investigator specializing in financial crime or ML investigation. According to functions and task assignments, investigators will conduct criminal investigations, including ML and predicate offenses of ML. Those who directly investigate and direct the investigation of financial crimes (including Heads, Deputy Heads of Investigation Agencies, investigators, and investigation officers) must meet qualification standards in general investigation and be trained, tested and appointed follow a strict sequence. Investigators investigating economic crimes in general and financial crimes in particular all have experience in this field, have received specialized training or have had basic financial training.

4.2. Basically, all disseminated intelligence information is assigned to handle according to authority of the receiving agencies. Receiving and processing intelligence information is carried out according to specific and unified procedures which are applied to receive and process crimes denunciation news. Intelligence information is mainly information disseminated by AMLD and may also be information discovered themselves by the functional forces of MPS.

Table 2. 2. Results of information disseminated by AMLD to units under MPS

Year	2018	2019	2020	2021	The first 9 months of 2022

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No of STR reports/No of cases disseminated	586/96	1030/116	746/84	354/50	612/107
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(Source: AMLD)

Since 2020, the Government has issued Decision No. 89/QD-TTg dated October 7, 2020 approving the Project "Improving the effectiveness of the fight against ML/TF crimes". The project takes effect from the date of signing and will be implemented for 5 years (from 2020 - 2025). MPS is the focal point implementing the Project with key tasks including: Promote investigation, prosecution and conviction of ML crimes; Organize specialized forces to participate in the fight against ML/TF crimes in a streamlined, effective and efficient manner; Expand international cooperation in fighting ML/TF crimes. Accordingly, units of MPS have been coordinating with AMLD to strengthen and promote the investigation of ML crimes.

During the period 2018-2022, the MPS prosecuted and investigated 19 ML cases. Although the number of ML cases prosecuted is not large, this is still a remarkable effort by Vietnamese investigation agencies as they are trying to promote ML investigation activities in parallel with predicate offenses investigations (in the period 2012-2017, only 01 ML case was successfully investigated, prosecuted and convicted).

4.3. The investigation agency has sufficient legal grounds and mechanisms to ensure that there is a process to identify assets without prior notice to the owner. The Criminal Procedure Code 2015 provides for provisional measures to be imposed, without prior notice, in relation to proceeds of crime³⁶. In the process of coordinating relevant entities and individuals, the Investigation Agency has the right to request them to keep it confidential according to the provisions of the Criminal Procedure Code. The owner only know about this process after the Investigation Agency has issued decisions on freezing, distraining assets, temporarily seizing objects etc. In fact, to ensure the seizure proceeds of crime, the investigation agency often conducts investigative measures with the confidentiality of the relevant parties to clarify whether the assets are related to the crime or not to make appropriate decisions and avoid dispersal of assets.

4.4. During ML investigation process, the Investigation Agency (specifically the investigator is the enforcer) has the authority to request organizations and individuals (including financial institutions, businesses, legal entities etc.) provide information and documents which could be used as evidence to prove crimes according to Article 88 of the Criminal Procedure Code 2015 and those subjects are required to comply with the provisions of Article 168 of the Criminal Procedure

³⁶ Article 128 (relating to Distrainment of property), Article 129 (relating to freezing bank accounts); Article 437 - Distrainment of property and Article 438 - bank account freeze.
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Code 2015. This is a mechanism used to identify accounts held or controlled by natural or legal persons as a part of the evidence collection process. In addition to public investigation activities, investigation agencies also carry out a number of secret investigation activities under special procedures according to the provisions of current criminal procedure law.

4.5. During the process of investigating financial crimes, the Investigation Agency coordinates effectively with other investigation agencies and relevant agencies and organizations (in the process of entrusting the investigation, coordinating on the provision of information and documents etc). Vietnam has legal documents regulating coordination of investigation agencies with SBV, tax authorities, customs authorities etc in exchanging and providing information. In fact, the coordination has been carried out smoothly and actively supporting the investigation activities. MPS, the Supreme People's Procuracy and the Supreme People's Court has issued regulations to coordinate information exchange to serve the ML investigation, prosecution and conviction³⁷, this is a welcome effort in recent times to enhance accountability of those agencies on carrying out their authorities and exchanging information to serve the ML investigation, prosecution and conviction.

4.6. In Vietnam, there is a very clear distinction between ML investigation and asset confiscation. ML investigation is to clarify whether there is a ML crime or not; Asset confiscation investigation has two meanings, both as evidence to prove ML crimes and to recover proceeds of crime. Typically, these two activities are carried out by an investigation and implementation support team so basically the capabilities are similar and the implementation coordination relationship is one of the priorities. Investigators only have the authority to temporarily detain and distrain assets (not confiscate assets) obtained through crime. The confiscation of assets is subject to the Court's decision after the judgment takes effect.

Vietnam's law enforcement agencies are given full authority and capacity to conduct ML investigation and assets confiscation. However, the number of ML investigations³⁸ is still low, not commensurate with the number of predicate offenses investigations as well as the capacity of the investigation agency. When carrying out parallel financial investigations, police agencies mainly focus on identifying assets used in the commission of crimes (for asset recovery purposes).

Integrity and independence of financial crime investigators

³⁷Coordination Regulation 02/2019/QCPH-BCA-VKSNDTC-TANDTC dated October 10, 2019 on information exchange to serve the ML investigation, prosecution and conviction.

³⁸This statistic is for the period before November 2019.
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This variable evaluates the transparency and independence of investigators in investigating ML and associated predicate offenses. This variable is assessed as: MEDIUM.

4.7. The Penal Code 2015 and the Law on Criminal Investigation Organization 2015 fully stipulate the responsibilities and powers of Investigators; What Investigators can and cannot do. These are regulations to prevent Investigators from violating the law, thereby indirectly protecting Investigators. Investigators conduct ML crimes on the principle of only following the legal regulations and being protected by the law. Unlike in some countries, where investigators have their health and life protected by a team or professional security guard, Vietnamese investigators are equipped with the ability to physically protect themselves and are legally protected against all political influence. In practice, up to now, there have been no cases of investigators being harmed due to conducting criminal investigations on ML, both physically and mentally.

4.8. The conduct of ML and other crimes investigation (reconnaissance, procedural) complies with the provisions of the Penal Code 2015, Criminal Procedure Code 2015, and Law on Criminal Investigation Organization 2015. Accordingly, ML investigations may be initiated without the political or social interference or pressure, corruption, intimidation or abuse of position. Until now, no case of ML investigation or assets confiscation has been detected under pressure of political or social intervention, corruption, intimidation or abuse of position. However, in terms of forecasts, it cannot be ruled out, thus, specific mechanisms to eliminate these situations are necessary. The pace or outcome of these investigations and assets confiscation is not influenced by political or social pressure, corruption, intimidation, or abuse of position. Criminal records and conclusions are made according to the procedures specified in legal documents.

4.9. The ML investigation, prosecution and conviction and asset confiscation in a number of cases are related to society influential individuals (who are with large society connections, have strong financial capacity etc) were conducted objectively, professionally, convicted the right person, the right crime, judges fairly, strictness.

4.10. The power of confiscation of assets by court judgment is basically used correctly; Assets seized and confiscated are fully managed according to regulations.

5. Prosecution of financial crimes

Capacity and Resources of Financial Crime Prosecutions

This variable assesses whether the country has adequate capacity and resources to effectively prosecute money laundering offenses and associated predicate offenses and proceeds of foreign predicate offenses, and conduct asset forfeiture actions. This variable is assessed as: MEDIUM.

5.1. There are clarity and uniformity in the provisions of law on the legal position of Procurators. The standards of Procurators are increasingly being [Type here]

improved, so beside the general standards (such as: having good moral qualities, integrity, honesty, having a bachelor's degree in law or higher, having been trained in procuracy, meet the requirement of timeserving etc.), Procurators at different ranks also have their own standards such as: to be appointed as a Procurator, they must pass the exam to enter the Procurator rank. Procurators at higher ranks must be able to professionally guide the practice of prosecutorial power and supervise judicial activities for Procurators of lower ranks. Especially, the highest rank is Procurator of The Supreme People's Procuracy which must have the ability to direct and manage the exercise of prosecutorial power and supervise judicial activities of the Supreme People's Procuracy and have the ability to resolve important issues under the authority of the Supreme People's Procuracy. The People's Procuracy Agency's at all levels always pays attention and focuses on responding to requests and regularly organizing and improving the quality of training and coaching on procuratorial skills and knowledge of areas of social life such as economics, finance, banking, etc. for Procurators. During the period from 2018 to June 2022, the Supreme People's Procuracy organized many seminars and professional training: (i) on professional skills and legal knowledge for 16,872 civil servants and (ii) on specialized professional skills for 13,310 civil servants.

5.2. Vietnam does not have separate regulations related to asset forfeiture and financial crime prosecution. Asset forfeiture and financial crime prosecution are carried out like other crimes. In which, the Penal Code 2015 stipulated provisions on confiscation of objects and proceeds directly related to crimes; recovery, penalty of assets confiscation; the offender must return appropriated property ; The Criminal Procedure Code 2015 specifically regulates the authority and order of applying search, seizure, withholding, distraintment of property, freezing of accounts... to ensure property recovery in criminal cases; The Law on Mutual Legal Assistance 2007 regulates the principles, authority, order and procedures for civil and criminal mutual legal assistance in recovering assets abroad; The Law on Prevention and Combat of Corruption regulates the recovery of corrupt assets; Resolution No. 03/2020/NQ-HDTP dated December 30, 2020 of the Council of Judges of the Supreme People's Court guiding Determination of the value of the property appropriated, bribe taken, property damaged caused by corruption-related or office title-related crimes (Article 10) and Approaches to items, money directly related to the crime (Article 11).

Prosecutors are given full authority to access all necessary documents, information and witnesses and/or other relevant individuals for prosecution; In case of necessity, prosecutors have the power to directly administer scene investigation, autopsy, confrontation, identification, voice recognition, experimental investigation and search (Article 42 of Law on Criminal Procedure 2015). Prosecutors have the necessary skills and knowledge to trace the financial flow of criminals and present at the court as well as effectively exercise their assigned powers in practice. This is

demonstrated through the successful investigation and prosecution of ML cases and complex economic and corruption cases in recent times.

In conclusion, Vietnam's law enforcement agencies are given full authority and capacity to prosecute ML crimes, however, the number of successfully prosecuted ML cases is still limited due to the limited number of ML investigations.

Integrity and Independence of Financial Crime Prosecutions

This variable measures the transparency and independence of prosecutors in prosecuting ML and associated predicate offenses. This variable is assessed as: MEDIUM.

5.3. The People's Procuracy agency system was established on a constitutional basis independently of other state agencies with the function of exercising prosecutorial power and supervising judicial activities. Transparency, integrity and independence of Procurators in performing their duties is according to the provisions of legal documents and independent of Investigators and Judges.

The Politburo's judicial reform strategy until 2020³⁹ clearly states: "... enhance the rights and responsibilities of Procurators so that they can be proactive in performing their duties, enhance their independence and accountability on their acts and procedural decisions". Accordingly, the transparency and independence of Procurators are specifically stipulated in the Law on Organization of People's Procuracy 2014, the Criminal Procedure Code 2015 and other guiding documents. In particular, Clause 3, Article 9 of the Law on Organization of the People's Procuracy 2014 stipulates: "Agencies, organizations and individuals are prohibited from obstructing or intervening into the exercise of the power to prosecute and supervise judicial activities by people's procuracies; taking advantage of the right to lodge complaints and denunciations to slander cadres, civil servants, public employees and other employees of people's procuracies". In practical implementation, these regulations have contributed to improving the operational efficiency of Procuracy agencies and people conducting proceedings; protect the legitimate rights and interests of citizens, especially the legitimate rights and interests of suspects and defendants as well as other participants in proceedings.

5.4. Investigations, prosecutions, and convictions of ML or related financial crimes are conducted without political or social interference or pressure. In recent years, many serious economic cases involving political exposed persons (PEP) have been successfully prosecuted and delivered objective and professional verdicts. According to the assessment of the NCC on Anti – Corruption, the highlight of investigation, prosecution and adjudication in recent times is that it has been drastically directed, strictly implementing the viewpoint of "no prohibited areas, no

³⁹Resolution 49-NQ/TW dated June 2, 2005 of the Politburo on judicial reform strategy until 2020.
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exceptions, no matter who that person is", created a breakthrough in the activities of preventing and combating corruption and negativity⁴⁰.

6. Financial crime Adjudication

Regarding capacity and resources for Financial Crime Judicial Processes

This variable evaluates the capacity and resources of Judges to effectively undertake judicial processes for cases relating to money laundering offenses and associated predicate offenses, including proceeds of foreign predicate offenses; and asset forfeitures. This variable is assessed as: MEDIUM.

6.1. According to the provisions of the Law on Organization of the People's Courts, judicial positions in the Court include judges, examiners, court clerks. Each position is divided into different ranks from low to high and has its own standards and conditions⁴¹. To be considered for appointment to these positions, the person must have a bachelor's degree in law or higher and meet the requirement of timeserving, and other conditions of health, professional training etc, depending on each rank. Therefore, the Court civil servants performing adjudicate duties are all people with professional qualifications, good professional skills and a high sense of responsibility in their work. Particularly, for the Judges, beside professional standards, they must also be loyal to the Fatherland and the Constitution, have good moral qualities, have strong political will, have a courageous spirit and resolutely protect justice, integrity and honesty. A person appointed to a higher Judge rank must have the capacity to adjudicate cases under the authorities of higher Court, and must have more timeserving than a lower Judge rank and must pass the exam for promotion. Senior Judges in the Supreme People's Courts and the Chief Judge of the Provincial Court are all capable of resolving all difficult cases in the fields of criminal, economic, civil, labor and marriage etc. under authority of each Court. The Council of Judges of the Supreme People's Court has from 13 to 17 members, including the Chief Justice, Deputy Chief Justices and Judges of the Supreme People's Court, all of whom have high professional qualifications and directly review serious, complex cases or conflicting views cases in all fields; The Council of Judges of the Supreme People's Court issues Resolution guiding the Courts to uniformly apply the law and select precedents.

Therefore, Judges at all levels are arranged in accordance with the jurisdiction of the Courts at all levels, ensuring quick and legal handling of cases.

The Supreme People's Court has issued (i) Regulations on inspection⁴² and (ii) regulations on handling the responsibilities of judicial title holders in the People's

⁴⁰ <https://laodong.vn/thoi-su/su-chi-dao-quyet-liet-su-dong-long-thong-nhat-cau-cua-ban-chi-dao-la-nhan-to-hang-dauet-determining-cong-sound-of-cong-tac-room-chong-with-the-conditions-1061603.lido>

⁴¹ Specifically, Judge titles include Junior, Intermediate, Senior Judge and Judge of the Supreme People's Court; examiners titles include: Junior, Principal, Senior examiners; Court Clerk titles include Clerk, Principal Clerk and Senior Clerk.

⁴² Issued together with Decision No. 346a/2017/QĐ- TANDTC dated March 1, 2017;

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Courts for violations due to irresponsibility or violations in performing assigned tasks which not subject to disciplinary enforcement⁴³, and (iii) Regulations on training for civil servants and public employees of the People's Court⁴⁴. These regulations are the basis for professional training of judges and improve judicial capacity as well as help them clearly aware of the consequences of violation.

From 2018 to 2022, cases related to financial crimes have become increasingly complex in nature and scale, especially crimes related to banking activities and criminals are leaders of banks. The adjudication of these cases requires judges to be knowledgeable about laws on areas of civil, commercial, business, auditing, insurance, etc. Therefore, the Supreme People's Court always focuses on opening training courses on specific topics at the Court Academy to improve the qualifications and judicial expertise of Judges.

The Supreme People's Court hosted and co-hosted with non-governmental organizations such as the Japan International Cooperation Agency (JICA), the ASEAN-Australia Government Cooperation Program on Human Trafficking Prevention in Vietnam (ASEAN – ACT), United Nations Office on Drugs and Crime (UNODC) in organizing many conferences, workshops, seminars related to various types of crimes, including financial crimes, ML/TF. The majority of participants are Judges at all levels nationwide. Professional meetings and training on AML are held periodically to improve staff capacity and ensure that ML cases are adjudicated in accordance with the law.

From 2018 to December 2022, Courts at all levels have adjudged and convicted 07 ML cases and are preparing for the first instance trial of several complex ML cases with many people involved.

Integrity and Independence of Financial Crime Judges

This variable assesses the transparency and independence of the judges in presiding over prosecutions for ML offenses and associated predicate offenses and proceeds of foreign predicate offenses and asset forfeiture matters. This variable is assessed as: MEDIUM.

6.2. The People's Court system was established on a constitutional basis independently of other state agencies with the judicial function. Transparency, integrity and independence of Judges and Trial Councils in performing their duties is according to the provisions of legal documents and independent of Investigators and Procurators.

Principle "During a trial, the Judges and Assessors are independent and shall obey only the law. Agencies, organizations or individuals are prohibited from interfering in a trial by Judges and Assessors" is stipulated in the Constitution 2013, Criminal Procedure Code, Civil Procedure Code, Law on Court Organization

⁴³Issued together with Decision No. 120/QĐ-TANDTC dated June 19, 2017;

⁴⁴ issued together with Decision No. 636/QĐ-TANDTC.

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People's Court and some specialized laws. Clause 2, Article 9 of the Law on Organization of the People's Courts also stipulates *"Individuals, agencies and organizations that commit acts of interfering in trials conducted by judges and assessors shall, depending on the nature and severity of their acts, be disciplined, administratively sanctioned or examined for penal liability in accordance with law"* to ensure that Judges have enough conditions to exercise the independence in judicial activities. Therefore, the Judges are basically not influenced by any individual, agency or organization; the trial of cases is only based on the provisions of law.

Regarding the integrity of judges, according to the provisions of Article 67 of the Law on Organization of the People's Courts, one of the first criteria to be considered for appointment as a judge is to be *"integrity"*. Judges must put public affairs first, not seek personal gain, and perform their assigned duties with a sense of objectivity, impartiality, transparency, fairness and legality.

Regarding the publicity of the Court's rulings, according to the provisions of the Criminal Procedure Code, The Court's judgments and rulings are only sent to related agencies and individuals. After a judgment or ruling is issued, any litigant or agency or organization interested in can go to the Court to request a copy of that judgment or ruling. In November 18, 2017, the Supreme People's Court has launched a website to publish the Court's judgments or rulings to more widely publicize the Court's judgments or rulings and propagandize legal regulations, creating conditions for people to easily access the Court's judgments or rulings.

6.3. Trials of ML or related financial crimes cases are conducted without interference, political or social pressure. In recent years, many serious economic cases involving political imposed persons (PEPs) have been tried and convicted objectively, professionally.

7. Assets Confiscation

This variable assesses whether the country has comprehensive laws to seize, freeze and forfeit proceeds and instrumentalities of crime. This variable is assessed as: MEDIUM

7.1. Vietnam's legal framework applies criminal confiscation (based on conviction) according to the Penal Code 2015, the Criminal Procedure Code 2015 and the AML Law 2012. These laws regulate laundered assets, assets obtained from criminal activities and other rights and tools. Article 45 of the Penal Code 2015 regulates the confiscation of property of criminal defendants and third parties. Articles 45, 46, 47 of the Penal Code 2015 stipulate the judicial measures available to natural and legal persons who commit crimes. These measures include confiscation of assets directly related to serious crimes including ML. According to the Penal Code, property held by third parties in criminal activities may be confiscated if this property is used to commit crimes with the allowance of third parties. Asset Confiscation may also be imposed as an enhanced sanction for certain

offences. In addition, the laws also have provisions related to protecting the rights of bona fide third parties⁴⁵.

7.2. The recovery of criminal assets is carried out throughout the process of detection, handling, investigation, prosecution, trial and sentence execution of cases. In particular, the authorities use measures allowed by laws to recover criminal assets such as: Search, seizure, distraint, freeze, confiscate assets related to crimes or proceeds of crimes.

The Criminal Procedure Code stipulates measures that competent authorities can apply to identify and trace assets subject to possible confiscation⁴⁶, procedures for investigation agencies to collect evidence; authority to require subjects to comply with requests from investigative agencies; measures to preserve, collect, and handle physical evidence to prevent the transaction, transferring or dispersion of those assets⁴⁷.

The AML/CFT legal regulations stipulate the responsibilities of reporting entities (both FIs and DNFBPs) in freezing accounts, applying sealing or temporarily seizing assets of individuals and legal entities upon the request of the competent authorities or circulation suspension, freezing, sealing, temporary seizure and disposal of money and assets involved in terrorism or terrorist financing. Article 28 of the AML Law also requires reporting entities to provide upon request the stored files, documents and related information to the SBV and other competence authorities.

7.3. According to the legal regulations, there are 2 groups of measures of criminal assets confiscation and recovery, which are criminal measures and administrative and civil measures.

The group of criminal measures prescribed in the Penal Code 2015 and the Criminal Procedure Code 2015, AML Law includes: search, seizure, temporary seizure, distraint of assets, documents, objects, account freezing can be considered one of the strongest and most effective measures in recovering criminal assets.

The group of administrative and civil measures is stipulated in the Law on Handling of Administrative Violations and the Decrees on Sanctioning of

⁴⁵ Clause 2, Articles 47 and 48 of the Penal Code 2015 stipulate the return of illegally appropriated money or items to the rightful owner or to compensate for damages. Article 93 of the Anti - Corruption Law 2018 contains similar provisions regulating the protection of the rights of bona fide third parties. Article 133 of the Civil Code 2015 provides protection measures for bona fide third parties in invalid civil transactions as defined in Articles 122 to 123 of the Civil Code.

⁴⁶ Articles 5 and 6 of the Criminal Procedure Code stipulate the responsibilities of competent agencies in investigating and combating crimes; Articles 35 to 42 of the Criminal Procedure Code stipulate the allocation of responsibilities to investigative agencies to collect documents and evidence during the investigation process according to regulations. Article 128 (distrain of assets), Article 129 (distrain of assets), Article 129 (accounts frozen) of The Criminal Procedure Code 2015 stipulate provisional measures to be applied without prior notice, related to proceeds of crime.

⁴⁷ Assets that are exhibits may be preserved according to Article 90 and Articles 105 to 106 of the Criminal Procedure Code.

Administrative Violations in the sectors of state management. In particular, according to Article 114 of the Civil Procedure Code 2015, there are 11 related measures to ensuring property recovery⁴⁸. In addition, the Law on Handling of Administrative Violations stipulates sanctions related to assets confiscation, such as *"Confiscating material evidences, means of administrative violation"* (Point d, Clause 1, Article 21, Article 26); remedial measures *"Forcible submit of the unlawful profits from administrative violations or forced to submit the money equivalent to the value of exhibit, means used to commit administrative violations which have been sold, dispersed or destroyed contrary to the law provisions"* (Article 37), or the Government can stipulate other remedial measures similar to confiscation of assets in Decrees on Sanctioning of Administrative Violations (point k, clause 1, Article 28).

Vietnam has not yet applied non-conviction based civil confiscation and forcing criminals to prove the legal origin of assets. Currently, the recovery of criminal assets is carried out through litigation and according to court convictions. This regulation is in fact ineffective because the process of receiving and resolving criminal reports, investigation and verification cases has been conducted over a long period of time (for months or even years), which alerted the criminals and they had a lot of time to disperse, spend, and hide their assets. Accordingly, from 2020, the Ministry of Justice has coordinated with relevant ministries to conduct research and developed a report *"Research and proposals for developing regulations on measures of non-conviction-based assets confiscations."*⁴⁹

7.4. It can be seen that Vietnam's asset confiscation and recovery activities still has shortcomings such as: the authority in the civil Judgment Enforcement process of the civil judgment enforcement agencies and enforcers is still limited, especially in tracing misappropriated and lost assets and depends heavily on the results of previous proceedings.

⁴⁸ 11 related measures to ensuring property recovery are: Distraint of the disputed properties; Prohibiting the transfer of property right over the disputed properties; Prohibiting the change of the current conditions of disputed properties; Permitting the harvesting, sale of subsidiary food crops or other products, commodities; Freezing accounts at banks or other credit institutions, State treasury; freezing properties at places of their deposit; Freezing properties of the obligor; Prohibiting involved parties from performing, or forcing them to perform certain acts; Prohibiting the obligors from leaving Vietnam; Prohibiting the contact with victims of family violence; Suspending the bid closing and activities related to bidding; Arresting aircrafts or ships to ensure the lawsuit settlement; Other provisional emergency measures provided for by law.

⁴⁹ The mechanism of non-conviction based confiscation has the advantage that assets can be confiscated even if the offender has not been convicted, overcome the biggest difficulty of having to prove illegal origin of proceeds. However, this is a new and complex mechanism, its implementation will pose a number of issues related to ensuring human and civil rights; review to amend and supplement current legal regulations to be compatible with this mechanism; have plans, organizational structure, necessary conditions and resources for implementation... It is necessary to research and evaluate in-depth the implementation mechanism, conditions to ensure implementation, feasibility and effectiveness in order to have proposals suitable to Vietnam's conditions and realities.

8. Quality of Border Controls

Quality of Border Controls

This variable assesses whether the geographical circumstances and border control mechanisms of the country renders the country secure against any attempts to smuggle bulk cash, precious stones, etc., into or out of the country. This variable is assessed as: MEDIUM

8.1. The management and control of border areas and sea areas and the prevention of transportation vehicles operated by commercial carriers being used for criminal acts have been fully regulated in legal documents. However, in the Vietnam context of having long land borders with China, Laos, Cambodia and more than 3,260 km of maritime border with many official border gates and trails in natural terrain conditions, not only trade relations across borders and sea routes are increasingly developing, smuggling activities across land and sea borders and trade fraud are also becoming more and more complicated.

8.2. In the context of controlling and preventing the covid - 19 epidemic, the governments of countries sharing borders and land border gates with Vietnam (especially China) continue to deploy forces and measures to prevent and control the epidemic, smuggling activities and illegal transportation of goods across the border continues to be complicated, mainly in areas of trails, open paths, canals, rivers, and streams at the border. Violated goods are diverse and mainly on essential consumption goods, goods with high tax rates, prohibited goods such as drugs, explosives, firecrackers, foreign alcohol, foreign cigarettes, cosmetics, functional foods⁵⁰. Violators tend to turn to taking advantage of legal entities to sign commercial contracts, customs declaration, customs clearance and post-inspection to smuggle and commit trade fraud on a large scale with sophisticated methods. The common violations are not declaring customs, wrongly declaring goods name, quantity, type, value, origin.

The Border Guard is the core and specialized force that coordinates with MPS's force and relevant local authorities in managing and protecting security in the seaport border gate area according to the legal regulations. Meanwhile, customs authorities play an important role in state management of goods import and export activities to protect national security, facilitate trade and collect export and import tariffs according to the legal regulations. When entering or departing Vietnam, individuals carrying foreign or VND currency in cash, precious metals, gemstones and negotiable instruments above the thresholds prescribed by competent agencies are required to declare to customs or border guards where there are no customs. In case of non-declaration or incorrect declaration of quantity, illegal transportation of VND, foreign currency, precious metals, gemstones, individuals will be imposed

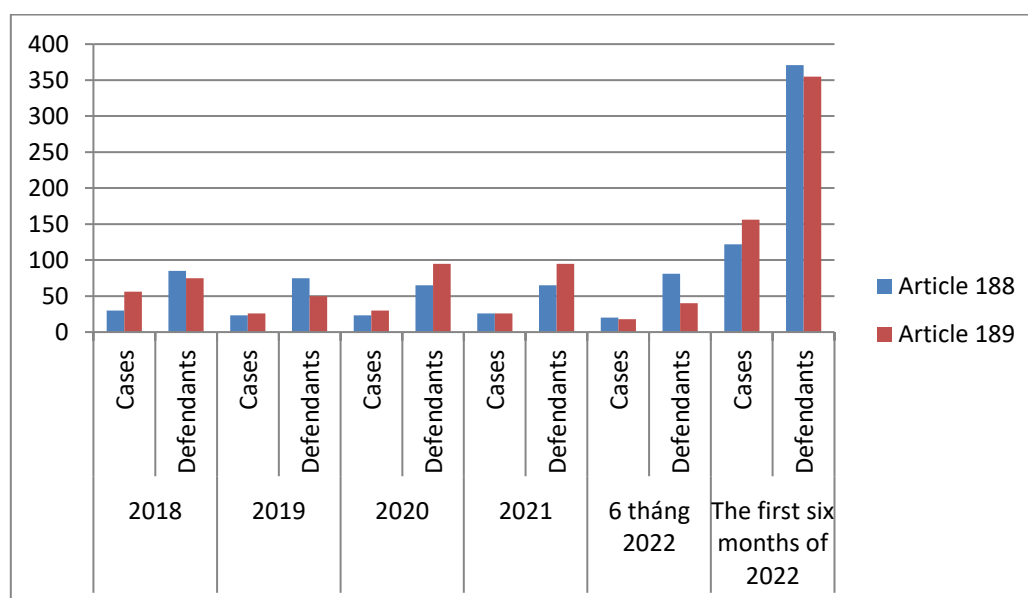
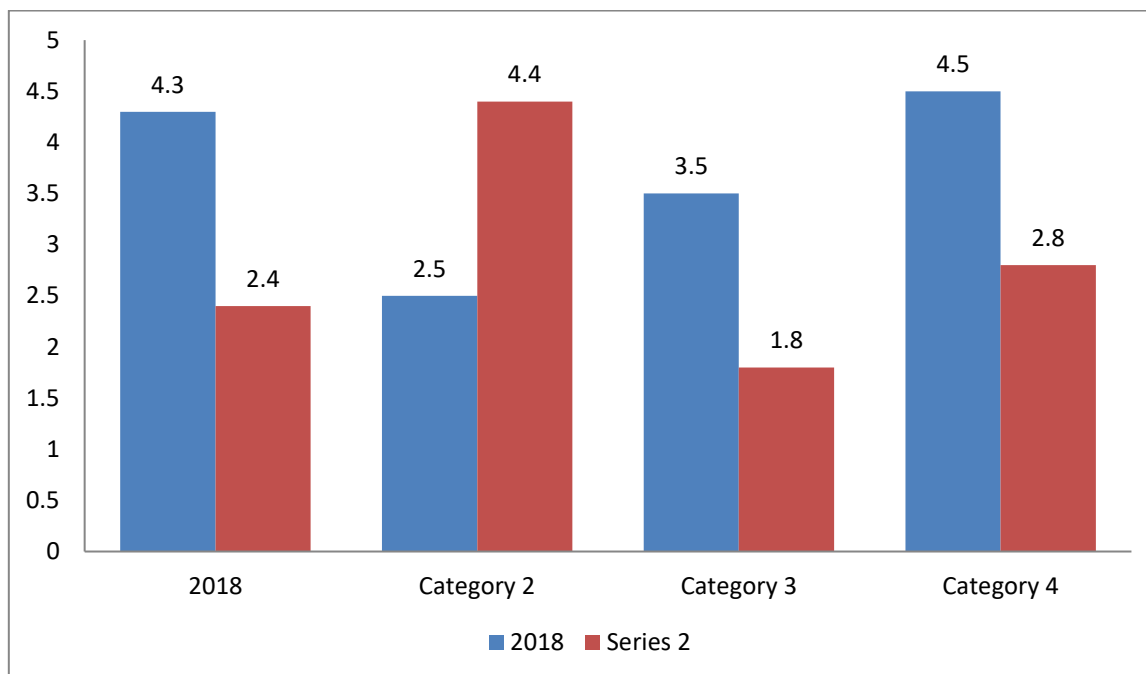
⁵⁰<http://bcd389.gov.vn/hoat-dong/chi-tiet/ban-chi-dao-389-quoc-gia--danh-gia-ket-qua-chong-buon-lau--gian-lan-normal-maturity-and-hang-gia-6-month-nam-2020-and-ban-hiem-vues-in-time-to-i>
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administrative or criminal sanctions by Vietnamese authorities (Customs, Border Guard, Police) based on the provisions of the laws. Customs staffs Participate in professional training courses and could be able to detected large amounts of cash hidden in passengers' luggage by using x-ray machines.

The National Steering Committee for Combating Smuggling, Commercial Fraud and Counterfeit Goods (National Steering Committee 389) was established and organized into a system of steering committees from central to local levels. National Steering Committee 389 headed by the Deputy Prime Minister and members of the Steering Committee are leaders of many ministries. The Ministry of Finance is the standing agency of the National Steering Committee 389. National Steering Committee 389 with the active and effective operation (i) plays an important role in Combating Smuggling and border control; (ii) develop strategies and plans to combat smuggling, Commercial Fraud and Counterfeit Goods in each period; (iii) direct, guide and inspect ministries and localities to carry out the fight against smuggling, trade fraud and counterfeit goods; (iv) direct the coordination among agencies and functional forces to detect, fight, prevent and handle serious and organized acts of smuggling, trade fraud and counterfeit goods; (v) establish inter-ministry delegations to examine the handling of major smuggling, trade fraud and counterfeit goods cases; (vi) inspect the situation of anti-smuggling, trade fraud and counterfeit goods in key areas.

During the period 2018-2022, competent authorities detected, investigated, prosecuted, and successfully tried 123 cases of smuggling (Article 188 of the Penal Code); and 157 cases of illegally transporting goods and currency across borders (Article 189 of the Penal Code).

Chart: Data on successfully tried cases under Articles 188 and 189 of the Penal Code



(Source: Supreme People's Procuracy)

8.3. From the practice of performing tasks, Vietnamese authorities have identified a number of difficulties and obstacles affecting the prevention and handling of violations in the fields of border control and anti-smuggling, illegal cross-border transportation of goods and currency, AML/CFT as follows: Vietnam's terrain has long land and sea borders with Cambodia, Laos, and China with many trails and natural borders such as canals, rivers, etc; People living along the border are familiar with the terrain, trails, paths, and have marital relationships and cultural and ethnic similarities with neighboring communities; The habit of using cash in trading transactions, mainly in the form of hand-to-hand cash, makes it difficult to verify and clarify the origin of money and its destination; Currency, gold, precious

metals, gems, negotiable instruments have the characteristics of being of great value, compact, easy to hide and transport.

Comprehensiveness and effectiveness of the customs regime

This content includes (i) Variables assessing the comprehensiveness of the legal framework and laws related to customs declaration or disclosure obligations on AML/CTF and the consequences of any wrongdoing and the mechanisms that allows authorities to effectively detect and deter any unauthorized physical cross-border transportation of cash, bearer negotiable instruments and precious metals and stones; and (ii) Variable assessing the effectiveness of implementation of customs laws and regulations in practice. This variable is assessed as: MEDIUM

8.4. The Law on Customs stipulates that customs officers have authority to inspect goods (including movable assets in Vietnam's import and export list, including cash and instrument equivalents) and request customs declarants to provide information and documentary evidence related to their goods to ensure the accuracy of the origin and value of customs declared goods (Article 19), the authority to request and obtain further relevant information on the origin and purpose of use (Article 89) in case of false declaration or non-declaration.

8.5. Pursuant to the Law on Customs, the Customs authorities carry out customs control over goods and transportation vehicles; preside and coordinate with relevant state agencies to carry out activities to combat smuggling and illegal cross-border transportation of goods within customs operating areas; Outside the area of customs operations, the Customs authorities coordinates with competent authorities to investigate, verify and handle (Article 7 and Article 88 of the Law on Customs).

Article 6 of the Law on Customs allows customs authorities to cooperate internationally in information exchange and professional performance with customs authorities of other countries and relevant international organizations (including information exchange on cross-border cash and BNI transportation). The General Department of Customs is a member of the World Customs Organization (WCO) and has a series of bilateral and multilateral cooperation agreements with foreign partners that facilitate international information exchange.

Based on assigned functions and tasks, the Customs agencies actively coordinate with border management and control forces such as the Border Guard, Coast Guard, Police in preventing and combating trafficking, smuggling, illegal cross-border transportation of goods and currency and participating in AML/CFT.

8.6. Vietnam has administrative sanctions for non-declaration or false declaration when entering and departing Vietnam⁵¹. The penalties when entering Vietnam are much lower than the penalties when exiting Vietnam. The penalties at the lower end of the scale only represent approximately 10% of the value involved

⁵¹ Article 10 of Decree 128/2020/ND-CP
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in the offending and are not considered dissuasive (particularly considering the remaining currency/BNIs will be returned). However, the penalties at the higher end of the scale, which represent 50% of the value involved in the offending are considered dissuasive.

Articles 188 and 189 of the Penal Code 2015 criminalize smuggling and the illegal transport of goods or money across the border with different forms of criminal sanctions (imprisonment, fines and other additional sanctions) based on the value involved⁵². These penalties are considered proportionate and dissuasive. However, these provisions only apply in relation to currency and not BNIs.

8.7. Customs authorities have the authority to distrain and seize currency or BNI and disseminate the cases to the Police for criminal investigation.

8.8. Vietnam has legal regulations on declarations and a system for declaring cross-border currency and BNI transportation. For countries sharing a border with Vietnam (China, Cambodia and Lao PDR), the carrying of currency by individuals in or out of Vietnam with a border identity card or border entry pass is regulated through separate instrument⁵³.

The Law of Customs provides customs officials with powers to inspect goods and request customs declarants to provide information and documentary evidence related to their goods to ensure accuracy of origin and customs value of goods (Article 19).

8.9. Customs authorities are responsible for operating and implementing the declaration system. Passengers are informed of their obligations and requirements to fill out Customs Declarations upon entry and exit.

8.10. The Customs agency has provided the means, procedures, human resources and sniffer dogs to carry out customs control, conduct random searches and checks to detect illegal transportation of cash or non-declaration of cash.

8.11. During the period 2018-2022, the Customs Agency detected and sanctioned 71 cases of violating regulations on customs declaration by people entering and exiting Vietnam.

Table 2.5. Statistics of violations of customs regulations on immigration in the period January 1, 2018 - June 30, 2022

⁵² If the value involved in the cross-border transportation is falsely declared or undeclared and the value is greater than VND100,000,000, it will constitute a criminal offence against Articles 188 or 189. There are various criminal sanctions available based on the value involved. Sanctions include fines ranging from VND200,000,000 (approx. USD8,600) to VND3,000,000,000 (approx. USD130,000) and imprisonment from 1-10 years for natural persons. For legal persons, the fines range from VND200,000,000 (approx. USD8,600) to VND5,000,000,000 (approx. USD215,000) and other penalties include suspension of operations and permanent shutdown.

⁵³ According to the provisions of Decision 92/2000/QĐ-NHNN7 dated March 17, 2000 on bringing VND and foreign currency in cash for individuals entering and exiting Vietnam with border identity cards or border entry pass, individuals when leaving the country can only bring VND and currency of the entering countries.

<i>Year</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
<i>Violation Cases of customs regulations by people entering and exiting Vietnam</i>	<i>34</i>	<i>28</i>	<i>07</i>	<i>01</i>	<i>01</i>	71

(Source: General Department of Customs)

8.12. In the context of controlling and preventing the covid - 19 epidemic, the governments of countries sharing land borders and border gates with Vietnam (especially China) and Vietnam are strengthening border control, accordingly, the physical cross-border transportation of cash tend to decline sharply and shift to the trend of cross-border money transfers based on trade finance activities.

9. Domestic and international cooperation

Domestic cooperation

This variable assesses whether, when required, the country's relevant AML agencies cooperate effectively and coordinate domestically with each other to combat money laundering. This variable is assessed as: MEDIUM

9.1. Domestic cooperation activities are carried out mainly through the activities of NCC. Since its establishment, every year, NCC has held meetings (from 1 to 2 meetings per year) and issued many documents to direct and implement AML/CFT in Viet Nam. With the role of national coordination on ALM/CFT, NCC has advised the Prime Minister in directing the development, promulgation and implementation of 04 National Action Plans on AML/CFT. The Ministry of Public Security, the Supreme People's Procuracy and the Supreme People's Court have developed and promulgated coordination regulations related to the exchange of information to investigate, prosecute and adjudicate ML cases and this is considered (by APG) a welcome step of LEA.

9.2. To improve the effectiveness of cooperation activities and information exchange related to AML/CFT and other crimes, Vietnam ministries have signed MOU on information exchange coordination. During the period 2018-2022, the AMLD and the General Department of Customs signed a Memorandum of Understanding (MOU) to exchange information on AML/CFT. Previously, AMLD signed an MOU with a number of units under the MPS (Department of Foreign Affairs), and with the General Department of Taxation. The MOU have played an important role in strengthening coordination, supporting the exchange and providing information between relevant agencies in preventing and combating crimes in general and AML/CFT in particular.

9.3. From 2018 to 2022, the AMLD has received 1,298 requests for information from investigation agencies and 109 requests for information from other agencies (tax, customs, inspection). The number of documents requesting AMLD to

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provide information has also continuously increased over the years, mainly from MPS's units and most of them have been response by AMLD.

Table 2.6. Results of exchanging and providing information with domestic authorities of AMLD

Year	2019	2020	2021	2022	Total
Number of cases triggered from STR information disseminated by AMLD	134	97	57	109	397
Number of cases investigated, inspected, and verified	111	36	14	15	176
Number of requests to the AMLD to provide information	242	211	290	352	1095
Number of AMLD's responses	242	211	290	344	1087
The number of ML investigations derivate from STR information of AMLD	0	0	0	1*	1
13 cases prosecuted 9 cases had decisions to collect taxes; 07 cases showed signs of violation; 01 case had a decision to sanction administrative violations; 144 cases have no basis to determine violations of the law; There are not enough grounds to handle the case according to the law and there is no violation.					

(Source: State Bank of Vietnam)

This information provided by AMLD is useful and actively supports the professional activities of agencies in inspection, investigation, prosecution, adjudication and judgment enforcement; helps these agencies quickly identify subjects, significantly reducing time of reconnaissance, verification, and investigation; improve the efficiency of task execution; Help state management agencies identify and take timely measures to fight and prevent violations of the law by organizations and individuals under the management of their ministries.

9.4. Inter-sectoral coordination in AML sometimes fails to meet the quality and time requirements due to administrative procedures. Information disseminated and exchanged is mainly in written form (instead of sending files via email or other electronic means). There have not been many MOUs signed between SBV and relevant agencies in exchanging information. The number of officials specialized in AML/CFT of all competent agencies is still very small and most of them are part-[Type here]

time. There is no an effective mechanism for sharing, processing and verifying information between the SBV and other governing agencies of other reporting sectors identified under the AML Law, including: Ministry of Finance, Ministry of Construction, Ministry of Justice, Ministry of Industry and Trade.

International cooperation

This variable assesses whether the country actively and effectively renders and requests international cooperation in relation to ML, associated predicate offenses, related financial crime investigations and prosecutions, and asset forfeiture matter as well as international cooperation conducted by supervisory, customs, and other relevant authorities. This variable is assessed as: MEDIUM

9.5. Vietnam has a legal framework that is broad enough to serve as a ground for international cooperation activities, including all forms of cooperation, signing levels and content of international agreements and treaties, such as: Law on International Agreements 2020, Law on Mutual Legal Assistance 2007, Law on International Treaties 2016, AML Law 2012.

9.6. Vietnam also seriously implements UNSC Resolutions and international conventions on AML/CFT; Actively negotiate and sign international treaties and agreements on crime prevention in general and ML/TF in particular; provide legal assistance on extradition, investigation, prosecution, and proceedings of ML and predicated offences, terrorism, and terrorist financing. Specifically:

Regarding the implementation of UNSC Resolutions: The SBV has issued Official Letter warning credit institutions to proactively take appropriate preventive measures; pay attention on related financial transactions; request the entire credit institution system to check/screen customers information with the lists of individuals and organizations regarding terrorism and terrorism financing on the embargo list according to the UNSC Resolutions.

Regarding the ratification of international conventions and protocols: Vietnam has ratified and participated in 15 international conventions and protocols with content related to AML/CFT, include: UN Convention against Transnational Organized Crime (Palecmo Convention) and accession to The Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children; UN Convention against Corruption, ASEAN Convention against Terrorism.

In addition to participating in multilateral international treaties, Vietnam has also signed and participated in bilateral international agreements and treaties on crimes prevention in general (predicate offenses of ML) and AML/CFT in particular. These treaties and agreements create an important ground for Vietnam to conduct international cooperation and mutual legal assistance activities on AML/CFT.

During the period from 2017 to June 2022, the Supreme People's Procuracy:

(i) organized negotiations and signed a Mutual Legal Assistance Agreement on Criminal Matters with Kazakhstan (June 15, 2017), the Republic of Cuba (2018), the Republic of Mozambique (2018), Lao PDR (2020) and Japan (2021); Successfully organized negotiations a Mutual Legal Assistance Agreement on Criminal Matters with Uzbekistan (June 2017), the Czech Republic and the Italian Republic in 2019;

(ii) signed 02 MOU on crime prevention cooperation with the National Prosecutor's Office of the Republic of South Africa (2018) and the Attorney General's Office of the Republic of Singapore (2019);

(iii) resolved 31 criminal mutual assistance requests sent by foreign competent authorities; sent 18 requests for mutual legal assistance in criminal matters.

During the period 2018 - October 2022, the SBV signed 02 MOU on MT/TF information exchange with: Russian Federation (2019) and United Kingdom (2022). FIU Vietnam's information exchange activities with international partners have improved. AMLD has responded to 124/126 requests for information from foreign partners as well as sent 114 requests for information to foreign partners.

Table 2.7: Statistics for processing requests for information

Year	Received from foreign FIUs		Send to foreign FIUs	
	<i>Receive</i>	<i>Response</i>	<i>Send</i>	<i>Response received</i>
2018	24	24	20	18
2019	29	29	33	13
2020	14	14	24	6
2021	27	27	19	9
2022	32	30	18	7
Total	126	124	114	53

(Source: State Bank of Vietnam)

MPS continues to strengthen international cooperation in combating ML and predicate offenses of ML through contributing to the development of international cooperation documents with foreign countries.

9.7. In accordance with Article 4 of the Law on Legal Assistance 2007, Vietnam may provide legal assistance to a foreign country that has not signed a treaty with Vietnam on the basis of the principle of reciprocity, provided that it does not contravene Vietnamese laws and is in compliance with international law and

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practice. While the ASEAN MLA Treaty and bilateral MLA treaties require “prompt” assistance, there is no obligation in law to “rapidly”.

9.8. The Supreme People's Procuracy (SPP) is designated as the central authority for mutual legal assistance in criminal matters (MLA). The SPP Department of International Cooperation and Criminal Legal Assistance, which has seven staff, is responsible for making, receiving and handling MLA requests. The SPP coordinates effectively with national agencies to ensure that MLA requests are responded promptly. Most MLA requests are processed and provided in a timely manner.

In October 2019, Vietnam issued guidance on prioritization and execution of MLA requests just prior to the onsite visit. Approach to prioritization is risk-based which supports timely execution in line with risk profile. According to the guidance, priority is given to cases that relate to ML, TF and high-risk predicate offences including corruption, drug trafficking, human trafficking and wildlife trafficking. Priority is also given to countries that represent a higher geographical risk, including China, Lao PDR, Cambodia, Singapore, Australia, the US, the UK, and Russia. Vietnam’s MOUs either require prompt cooperation or have measures to allow expedited exchange of information (e.g. by phone, email or fax) in urgent cases. In practice, Vietnam competent authorities (MPS, SPP) have demonstrated that information can be exchanged rapidly under the international cooperation framework, particularly using telephone hotlines.

9.9. Vietnam became a member of ARIN-AP in December 2020⁵⁴, officially joined the South East Asia Justice Network (referred to as SEA Just) from June 9, 2020. Since joining these Networks, SPP has actively implemented international cooperation activities such as: conducting legal consultations, directly sending MLA requests on criminal matters to departments/officers at the Central Agencies for criminal MLA of foreign countries. In the coming time, SPP will continue to promote the use of these cooperation channels. These are remarkable efforts of SPP in promoting international cooperation activities.

9.10. Basic information on enterprises (such as: name, business code, head office address, business line, name of legal representative, business seal sample, legal status of businesses) can be looked up directly on the National Business Registration Portal. Currently, Vietnam has no database on BO of legal entities as well as no regulations or mechanisms for collecting BO information of legal entities. Besides, competent authorities sometimes misunderstand the concept of BO is the legal owner of the legal entity posted on the Business Registration Portal, so when foreign jurisdictions request Vietnam to provide basic information on BO of the legal entities and legal agreements formed and managed in Vietnam, Vietnamese agencies usually only provide information taken from the National Business Registration Database.

⁵⁴ This was the time when the ARIN-AP Secretariat announced that Vietnam's application had been accepted.
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9.11. Under Vietnamese law, confiscation is based on a conviction judgment. As such, Vietnam is limited in providing MLA related to non-conviction-based forfeiture orders.

9.12. The international cooperation in exchanging AML information is difficult due to strict regulations of the jurisdiction's laws on the authority of exchanging and providing information and information security issues. Vietnam has not yet become a member of the Egmont Group of Financial Intelligence Units (Egmont Group) due to not fully met the membership criteria of the Egmont Group; The limitation of MOUs signing between Vietnamese FIUs and foreign FIUs in the recent period because the Vietnam FIU (AMLD) does not have the authority to sign MOUs and the lack of safe channels to exchange information of AMLD are difficulties and limitations that significantly affect the international cooperation activities of Vietnam FIU.

10. Reliable information and evidence

10.1. Availability of Reliable Identification Infrastructure

This variable assesses the availability of Reliable, independent Identification Infrastructure which assists reporting entities in customer identification and verification processes. This variable is assessed as: MEDIUM

On January 6, 2022, the Prime Minister signed Decision No. 06/QĐ-TTg approving the Project "Developing applications of population data, identification and electronic authentication to serve national digital transformation in the period 2022 - 2025, vision to 2030" with the goal of flexibly and creatively applying the National Population Database, electronic identification and authentication system, Citizen Identification Card with electronic chip in the transformation process in accordance with the National Digital Transformation Program to 2025, with a vision to 2030 to serve 5 utility groups as follows: (1) Serving administrative procedures and providing online public services; (2) Serving economic and social development; (3) Serving digital citizens; (4) Completing the ecosystem to connect, exploit, and enrich residential data; (5) Serving the direction and administration of leaders at all levels.

On July 1, 2021, the national population database built by the MPS was put into operation with 17 information fields of 98.7 million citizens digitized. By November 28, 2022, 12 ministries, 1 state-owned enterprise, 3 telecommunication enterprises and 16 localities have officially connected to this database⁵⁵. The national population database is a national asset, includes an identification system, are secured and reliable enough to support the process of verifying individual information. The national population database is designed so that other specialized databases (including highly accurate database systems such as National Citizen Identification database, residence database, electronic civil status database etc) can access for

⁵⁵ <https://thanhnien.vn/da-chuan-bi-xong-co-so-du-lieu-quoc-gia-ve-dan-cu-post1527507.html>
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updating, sharing, and exploiting to ensure population information data is always fully and accurately updated.

The national population database is a shared database that serves the state management of relevant ministries, so competent state agencies and financial institutions can look up and exploit information fast, timely, accurate for purposes of the verification and search of information about citizens according to the provisions of Articles 8, 9, 10 of Decree 137/2015/ND-CP dated December 31, 2015. In accordance with the provisions of Article 6 of the Citizen Identification Law 2014, competent state agencies and financial institutions can exploit information about citizens in the Citizen Identification Database to determine the identity of individuals for professional activities according to the legal regulations. The citizen identification database has a reliable fingerprint identification and matching system for lookup and retrieval of personal identification. However, the citizen identification system has a high security factor of the Police sector and only provides information to serve professional work and some activities according to the legal regulations.

Currently, the SBV is coordinating with the MPS to connect the AMLD database with the National Database system of Population, the electronic identification and authentication, and Database of Citizen Identification cards with electronic chips for AML purpose. In the coming time, after the National Population Database comes into official operation, reporting entities will have an additional reliable information channel for customer identification authentication activities.

10.2. Availability of Independent Information Sources

This variable assesses the availability of independent and reliable sources of information to determine transaction patterns of clients. Customer Due Diligence processes are easier to perform, and are generally of a higher quality, if such sources are available. They can be used to identify or verify clients' transactional patterns and commercial history. This variable is assessed as: MEDIUM .

When identifying and updating customer information, reliable independent information sources and information sources about customers' credit history that financial institutions, especially banks, use for the AML purpose of identifying and updating customer information, as follow:

a. Vietnam National Credit Information Center (CIC):

CIC is the public credit registry under SBV which has functions of nationwide credit registry; collecting, processing, storing, analyzing credit information; preventing and limiting credit risk; commercial rating and consumer scoring with the aims of supporting SBV supervision functions and providing credit information services pursuant to SBV's regulation and Vietnamese legal framework.

CIC has collected and stored information of more than 48.5 million borrowers from 123/123 focal credit institutions, foreign bank branches, 1,165 people's credit funds and Official microfinance institutions and 51 voluntary organizations
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participate in credit information activities. In addition, CIC has also made efforts to expand information collection from ministries and to increase the coverage and depth of the data warehouse; connect with the National Population Database.

b. National information system on business registration

For enterprise customers, reporting entities can use information in the National Information System on Business Registration. Basic information about the enterprises (such as: name, business code, head office address, business line, name of legal representative, business seal sample, legal status of enterprises) can be looked up online on the National Information Portal on business registration at: www.dangkykinhdoanh.gov.vn. Information on the establishment and type of commercial legal entities on the Vietnam Online Business Registration Portal is published in both Vietnamese and English. In addition, organizations and individuals can request to be provided with information about the content of business registration and financial reports of various types of companies stored in the National Information System on Business Registration.

Individuals, organizations, communities and State management agencies can access the National Business Registration Portal to verify, look up and request to provide business information extracted from the national database on business registration. This is the unique available, reliable and legally valid source of information about enterprises nationwide.

Beside of the CIC and National Information System for Business Registration, banks also use other independent sources of information such as tax authorities, customs, auditing and lookup services such as World-Check, Accuity, FIB. However, these sources of information are only used by banks and not completely meet the banks' requirements.

Vietnam currently has a reasonable legal framework for transparency of basic information related to commercial legal entities, but there are shortcomings in collecting and providing information about beneficial owners⁵⁶. Besides, the related information relating to the establishment and types of non-commercial legal entities have not been made public.

The AML Law has regulations on identifying, verifying and updating information about the ultimate beneficial owners of the customer and measures to identify and update BO information. The main source of BO information about legal entities and legal agreements are information collected by reporting entities under their Customer Due Diligence (CDD) obligations and basic information and available information of publicly listed companies (on the National Business Registration Database and websites of the listed companies).

⁵⁶ Vietnam has no legal regulation on obligations of legal entities to provide BO information or business registration agencies to collect BO information.
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10.3. Availability of Independent Audit

This variable assesses whether the country has sound independent auditing practices. Sound independent auditing practices increase financial transparency and ensure that proper and reliable accounting records and financial statements are available, thereby ensuring that entities are less vulnerable to abuse by criminals. This variable is assessed as: MEDIUM

According to current regulations, audit firms, foreign branches of audit firms in Vietnam and people with certificates of registration to practice auditing practice according to the Vietnamese professional standards system including: Auditing standards and relevant professional standards (including Professional Ethical Standards of Accounting and Auditing) are specified in legal documents issued by the Ministry of Finance⁵⁷.

Regarding the rotation of audit firms to ensure independence and objectivity of the entities' audit performance, Clause 1, Article 58 of the Law on Independent Auditing stipulates that *"Auditing firms, branches of foreign auditing firms in Vietnam are not entitled to arrange practicing auditors to audit for a unit with the public interest in the five consecutive fiscal years"*. In which units with the public interest as prescribed in Article 53 of the Law on Independent Auditing include: (i) Credit institutions established and operating under the Law on Credit Institutions; (ii) Financial institutions, insurance enterprises, insurance brokerage enterprises; (iii) Public companies, issuers, securities trading organizations in accordance with provisions of legislation on securities; (iv) Other enterprises and organizations related to the interests of the public due to the nature and scale of operation of such unit in accordance with the law regulations.

The Law on Independent Auditing stipulates that auditing firms, branches of foreign auditing firms in Vietnam that are qualified, sufficient conditions for approval of the audit of financial statements of the units with the public interest must disclose information on their websites on annual transparency reports within ninety days from the date of ending the fiscal year (Clause 1, Article 56). In addition, according to Article 120 of the Securities Law 2019, public companies must periodically disclose the annual and 6-month financial statements reviewed by approved audit company and quarterly financial reports. It can be seen that the current regulations have helped strengthen transparency from both the audit firm/branch and the audited unit.

⁵⁷ Circular No. 214/2012/TT – BTC promulgating 37 auditing standards, Circular No. 65/2015/TT – BTC promulgating Vietnamese auditing standards on review service contracts, Circular No. 66/ 2015/TT – BTC promulgating Vietnamese audit standards on other assurance service contracts, Circular No. 67/2015/TT – BTC promulgating standards for auditing final settlement of completed projects, Circular No. 68/ 2015/TT – BTC promulgating audit standards on related services, Circular No. 69/2015/TT – BTC promulgating the Vietnamese framework on assurance service contracts, Circular No. 70/2015/TT – The BTC promulgates professional ethical standards for accounting and auditing.
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According to The Vietnamese standard of quality control No. 1 – To control quality of enterprises conducting audit, control and review of Financial statement, guarantee services and other relevant services (VSQC1), it is stipulated that audit firms must responsible for the quality of services provided as well as monitoring the progress of implementing activities specified in the audit contract.

The fees of audit service, review service and other audit services are agreed by the client and audit firm and mentioned in the audit contracts, review service contracts and other audit service contracts. Current regulations do not require public disclosure of terms related to audit service fees, but do require audit firms to report indicators related to revenue from audit services, review services and other services.

Information exchange between the audit firm and the audited unit is specifically regulated in the Law on Independent Auditing. It stipulates that the audited unit has the obligation to provide fully, accurately, truthfully, timely, objectively the necessary information and documents under the requirements of practicing auditors and auditing firms, branches of foreign auditing firms in Vietnam and take responsibility before the law for the information and documents provided. (Article 39 of Law on Independent Auditing). Thereby, the audit firm inspects and confirm the economic, financial information related to the audited unit inside and outside of the unit during the course of audit and to request the concerned organizations and individuals to provide necessary documents and information related to the contents of the audit through the audited unit. On the contrary, the auditing company has obligation to notify the audited unit when seeing that the audited unit has signs of law violation on economy, finance, accounting.

On the management side, the Ministry of Finance is the agency that publishes the list of audit firms qualified to provide audit services and auditors qualified to practice or approved to audit entities of public interest; list of auditors or audit firms are punished through inspection, supervision of annual audit service quality results. The Ministry of Finance regularly updates and publicizes information about auditors and audit firms on the Ministry's website.

Clause 8, Article 29 of the Law on Independent Auditing stipulates that auditing companies must provide audit records and documents upon written request of competent authorities. In addition, according to Chapter 290 Circular 70/2015/TT-BTC dated May 8, 2015 of the Minister of Finance on promulgating professional ethical standards for accounting, auditing, Independence - Applicable to Auditing services and review services are specifically regulated as follows: *“290.29 Documents and records providing evidence as a basis for making conclusions of practicing auditors regarding compliance with requirements about independence.”* and *“290.47 The audit firm must communicate in writing with the client's Management Board on the issues specified in paragraph 290.46”* .

Article 55 of the Law on Independent Auditing regulates Information on auditing firms and branches of foreign auditing firms in Vietnam, the practicing
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auditors who are approved for the audits of financial statements of the units with the public interest must be disclosed including: (i) Information on practicing auditors, auditing firms, branches of foreign auditing firms in Vietnam; (ii) Information related to quality assurance; (iii) Information relating to the inspection, discipline, handling of violations and settlement of disputes and monitoring of the disclosure. In addition, the audit firm must provide timely, completely, accurately information and documents as requested by the competent agencies in the process of examination, inspection, and take responsibility for the accuracy and truthfulness of the information and documents which were supplied; to comply with provisions of competent state agencies for the examination, inspection. Audit firms should refuse to conduct audit when deemed not guaranteeing the independence, inadequate qualifications, insufficient conditions for conducting audit; refuse to conduct audit when clients, audited units request contrary to professional ethical, professional skill requirements or contrary to provisions of law; and cases where audit firms are not allowed to conduct audits according to the provisions of Article 30 of the Law on Independent Auditing.

10.4. Formalization Level of Economy

This variable assesses the degree to which the economy is formalized, and whether there is significant level of informal economic activity in the country. This variable is assessed as: MEDIUM

In Vietnam, statistics on the size of the informal economic sector and its contributions are still different and inconsistent. Reports of a number of international financial and economic organizations also show that Vietnam has a very large informal economic sector⁵⁸. If the value of the entire sector is calculated, it can increase GDP by about 30%. The General Statistics Office (Ministry of Planning and Investment) also estimates that the size of the informal economic sector is about 30% of GDP⁵⁹.

Policies to support the informal economic sector:

On February 1, 2019, Prime Minister Nguyen Xuan Phuc issued Decision No. 146/QĐ-TTg approving the Project on Statistics of Unobserved Economic Sectors. The Ministry of Planning and Investment (General Statistics Office) is assigned to preside over and coordinate with ministries and localities to research the theoretical basis and experience in measuring unobserved economic sectors; organize surveys, evaluate the current situation and develop a list of unobserved economic activities in

⁵⁸ According to the criteria for determining production and business establishments that do not require business registration and according to the new regulations in Clause 2, Article 79 of Decree No. 01/2021/ND-CP dated January 4, 2021, activities that do not require business registration include: street vendors, nomadic or seasonal businesspeople, and service providers earning low revenues are not required to apply for establishment of household businesses, except for conditional business lines. The provincial People's Committees shall specify the low revenues applied within their provinces.

⁵⁹<https://tapchitaichinh.vn/su-kien-noi-bat/khu-vuc-Kinh-te-phi-chinh-thuc-o-viet-nam-thuc-trang-va-khuyen-nghi-336031.html>

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our country's economy; Select measurement methods and develop and promulgate a statistical indicator system for input information sources to measure this economic sector.⁶⁰

Vietnam also has laws and policies to support the informal economic sector such as: Revised Law on Social Insurance 2014⁶¹; Law on Employment 2013⁶²; Revised Law on Health Insurance (2013)⁶³. In addition, policies to support informal workers include: Vocational training policies for rural workers; Policies to support job creation from the National Fund on Employment and other credit sources; Policies to support the development of employment service organizations, which are employment service centers and employment service enterprises; Policies on occupational safety and hygiene.

According to the assessment in Resolution No. 28-NQ/TW dated May 23, 2018 of the Central Executive Committee term XII on social insurance policy reform, unemployment insurance policy is assessed not really linked to the labor market, focusing a lot on the formal sector, there are no appropriate policies for the informal sector (where workers are vulnerable).

Accordingly, Resolution No. 28-NQ/TW has set a goal by 2025 of achieving about 45% of the labor force of working age participate in social insurance; Farmers and informal sector workers participating in voluntary social insurance accounts for about 2.5% of the labor force in working age; About 35% of the working-age workforce participates in unemployment insurance. At the same time, by 2030, strive to have about 60% of the working-age workforce participate in social insurance, of which farmers and informal sector workers participate in voluntary social insurance accounts for about 5% of the working-age workforce.⁶⁴

In summary, informal economic activities contribute a large part to national GDP, are still on the rise in the economic growth process and tend to exist more

⁶⁰ <https://tapchitaichinh.vn/nghien-cuu--trao-doi/trao-doi-binh-luan/lanh-te-phi-chinh-thuc-o-viet-nam-va-mot-so-khuyen-nghi-142008.html>
<https://tapchinganhang.gov.vn/lanh-te-phi-chinh-thuc-o-viet-nam-va-ham-y-chinh-sach.htm>
https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_819791.pdf
<https://documents1.worldbank.org/curated/en/199441476437862446/pdf/108348-VIETNAMESE-PUBLIC-VietnamSCDfinalVNOct.pdf>

⁶¹ The revised Law on Social Insurance 2014 expands scope of compulsory social insurance participation for employees working with contracts of 1 month or more; Strengthen sanctions for evading social insurance payments; Complete the voluntary social insurance regime in a flexible and consistent manner with conditions of the employment and income of workers in the informal sector; Propose solutions to encourage workers in informal sectors to participate in social insurance.

⁶² The Employment Law 2013 includes content targeting the informal economic sector, thereby expanding opportunities for workers to participate in unemployment insurance. Specifically, all employees working in enterprises with labor contracts of 3 months or more are required to participate in unemployment insurance.

⁶³ The revised Health Insurance Law 2013 moved from “universal coverage” to “mandatory health insurance for the entire population”; Expand citizen’s participation in health insurance and subjects who are partially and fully protected by the State to participate in health insurance.

⁶⁴ <https://tapchitaichinh.vn/su-kien-noi-bat/khu-vuc-Kinh-te-phi-chinh-thuc-o-viet-nam-thuc-trang-va-khuyen-nghi-336031.html>

commonly in rural areas than in urban areas. This shows that the informal economic sector in Vietnam will still be an inseparable part of the economy in the future. However, the labor productivity of this sector is significantly lower than that of the formal economic sector, which will be a big challenge in the process of overcoming the "middle income trap" and improving the living quality of the majority of Vietnamese workers in the near future. Besides, although Vietnam has policies to support workers gradually transitioning from the informal economic sector to the formal economic sector, due to the impact of the covid pandemic, the number of workers in the informal economic sector has tended to increase in recent times.

11. Effectiveness of Tax enforcement

This variable assesses the effectiveness and efficiency of tax enforcement in the country. It assesses whether the tax laws are enforced fully, fairly, and consistently, through regulatory enforcement such as tax inspection and criminal and civil litigation, in order to promote voluntary compliance with the tax laws and to maintain public confidence in the integrity of the tax system. Audit inspections by tax authorities are a major tool for tackling noncompliance with the tax laws. Tax authorities should have adequate capacity and resources and should enjoy sufficient operational independence and autonomy to effectively and efficiently undertake tax enforcement in the country. This variable is rated as: MEDIUM

11.1. The tax legal system includes: (1) formal rules (regulating the management of tax types: Taxpayer registration, tax declaration, tax payment, tax liability imposition; Procedures for Tax refund, tax exemption, tax reduction; cancellation of tax debts, penalties; Administration of taxpayer information; Tax audit, tax document examination; Settlement of tax-related complaints, denunciations); and (2) content rules (taxpayers; tax rates; tax incentive policies; tax declaration and payment methods etc).

Violations of tax laws include: (1) Violations of tax procedures; (2) Late tax payment; (3) understatement of tax payable or overstatement of tax eligible for refund; (4) Tax evasion and tax fraud (not to the extent of constituting a crime). Forms of sanction for tax-related administrative violations include: (1) warning administrative penalty; (2) Fines.

The legal framework for sanctioning tax administrative violations is relatively comprehensive, including the granting of authority for tax authorities to collect information and an appropriate penalty mechanism to prevent and punish illegal acts not comply with tax laws. The regulations on sanctioning administrative violations in the field of taxation, which include administrative sanctions for violations of the regulations on administrative penalties for violations of understatement of tax payable or overstatement of tax eligible for refund, remission, cancellation, and tax evasion, have been amended and supplemented with this new fine level being much higher than before. Beside of administrative sanctions, the Penal Code 2015 also stipulates criminal sanctions for tax evasion offence.

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11.2. In recent years, the taxation sector has proactively implemented synchronous and comprehensive Tax audit, tax document examination activities, makes an important contribution to completing state budget revenue estimates. Based on risk analysis, Tax audit, tax document examination has been carried out according to specialized topics, which has partly met the industry's reform requirements and build the tax policies transparency, and created fairness among taxpayers. Tax audit, tax document examination found tax evasions activities to collect taxes for the State budget. Along with tax audit and examination, tax authorities also pay their attention on the activities of synthesizing, detecting, preventing and promptly handling the tax fraud and appropriation.

11.3. As of July 27, 2022, the number of tax staff working in field of tax audit and examination is 9,380 people, accounting for 25,67 % of the total number of Tax sector civil servants (this rate at the time of evaluating the Strategy for the period 2011-2015 was 24.2%). Currently, the General Department of Taxation is building a goal of gradually reducing the proportion of staffs working in indirect departments to increase staffs working in the direct tax management departments, especially increasing the proportion of tax officials working in tax audit and examination departments to meet new management requirements. *According to the Tax System Reform Strategy to 2030*, the Tax agency will adjust the human resource structure to suit modern tax management requirements in the direction of focusing on the direct tax management department to reach a minimum of 60% of the total number of tax staffs, in which the ratio of tax officials doing tax inspection and examination to the total number of tax civil servants reaches at least 30%.

The rotation of tax inspectors and examiners is carried out in accordance with the provisions of Decision No. 2028/QĐ-BTC dated October 21, 2021 of the Ministry of Finance stipulating the List of working positions and term of appointment, mobilization and change of working positions for civil servants and public employees of units and departments under the Ministry of Finance. The rotation of tax officials is one of the measures to protect the transparency of tax officials.

11.4. Deploying the application of activity diary of the tax audit and examination teams helps tax authorities monitor the audit and examination teams easily. Management leaders at all levels closely monitor and grasp the situation of law enforcement, compliance with tax audit and examination processes, ethical standards and codes of conduct of tax officials. From 2018 to present, there have been 2 cases of violations by tax officials detected and handled.

11.5. In recent times, tax authorities have implemented tax law propaganda programs and guided taxpayers, and these programs have had a positive impact on taxpayers' behavior. Although the Tax declaration violations and tax evasion still occur, but the number has tended to decrease, in which criminal cases are

disseminated by the Tax agency to the police for investigation and administrative cases regarding Taxes tend to decrease over the years.

Table 2.8. Statistics on tax violations

Content	2018	2019	2020	2021	June 2022
Number of cases violating regulations on tax declaration and tax evasion (administrative sanctions)	12,734	13,318	11,103	8,001	5,456
Number of cases disseminated to the police for investigation and prosecution	110	58	83	73	57
Data on tax administrative cases	68	62	61	29	19
Percentage of cases where taxpayers implemented inspection or examination conclusions of tax authorities	98.57%	98.65%	99.25%	98.65%	97.74%
Exchange of tax information according to Article 26 of the Model Tax Convention	38 cases/12 countries	36 cases/12 countries	36 cases/17 countries	57 cases/17 countries	48 cases/22 countries

11.6. The General Department of Taxation also cooperates and shares information with tax authorities around the world. Based on the data table below, it can be seen that the Tax authority has proactively sent requests to collect information as well as proactively provided information to foreign partners. Tax information exchange activities related to countries: Japan, Korea, Poland, Cambodia, Hong Kong, China, Laos, India, Singapore, UAE, France, Czechia, Taiwan, Australia, Russia, New Zealand, Romania, Norway, Hungary, Malaysia, Italy, Netherlands, Spain, Ireland, Ukraine, Nepal, Slovenia, Latvia, Germany, United States, Philippines, Israel, Thailand, Bangladesh, Afghanistan, Denmark, UK.

Table 2.9. Tax information exchange according to Article 26 Model Tax Convention

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Content	2018	2019	2020	2021	June 2022
Number of outgoing requests	15	16	23	36	37
Number of incoming requests	16	12	9	18	10
Voluntary exchange of information	7	8	4	3	10
Total	38 cases/12 countries	36 cases/12 countries	36 cases/17 countries	57 cases/17 countries	48 cases/22 countries

11.7. Although the tax legal system is relatively complete and is continuously supplemented and management agencies also propose and organize the implementation of many solutions, tax enforcement still has certain limitations, such as: (i) tax authorities do not have authority to investigate taxpayers according to current laws. The Ministry of Finance is proposing to the Government and the National Assembly to add investigative powers to the tax authorities. Law enforcement agencies can access information stored by tax authorities for purposes of investigating ML crimes are taxpayers; (ii) Law violations in the tax sector are still increasingly complex, tax fraud is still quite common which are requiring tax authorities to constantly strengthen management and handling of violations, and the coordination and action of many related industries and fields can help tax policy be truly effective.

III. Overall assessment results

Conclusion, the overall national ML vulnerability is determined by: (i) The level of national ML vulnerability and (ii) the level of ML vulnerability of each sector. Based on the assessment findings, Vietnam's national vulnerability is assessed as **MODERATE/MEDIUM**.

CHAPTER 3. MONEY LAUNDERING VULNERABILITY OF THE BANKING SECTOR

I. Overview

The banking system has a special importance, is a capital supply channel to implement the economy's macroeconomic targets. With a large network and diverse products and services, the banking sector meets customer needs which are necessary conditions for the Vietnamese economy to participate in the international economic integration process⁶⁵. Together with those opportunities, the banking sector also faces certain challenges due to ML/TF risks. Currently, the Government, state management agencies, as well as banks and financial institutions are making joint efforts to strictly implement AML/CFT regulations to prevent criminals from taking advantage of the banking system as a ML/TF channel. The Vietnam's system of AML legal documents is relatively comprehensive and in the process of completion to comply with AML/CFT international standards. Most credit institutions and branches of foreign banks in Vietnam (hereinafter collectively referred to as banks) have built and implemented a ML/TF risk control system appropriate to their operations.

The ML risk assessment method for the banking sector is a method based on: (i) Developing a questionnaire/survey form to collect information on variables/products; (ii) Synthesizing and compiling data from information collected at banks and other information sources in the period from 2018 to 2022; (iii) Analyzing and evaluating each variable and each product according to criteria to draw main findings and conclusions. On that basis, it is to develop measures to minimize ML/TF risks that have been identified.

Assessing the ML vulnerability of the banking sector includes 02 contents: (i) Content 1: Assessing the effectiveness of general AML control variables; (ii) Content 2: Assessing the inherent ML vulnerability of banking products. The results of these analyzes are summarized below:

Table 3.1: Results of assessing the vulnerability of general AML control variables

No	General AML control variables	Rating
1	Comprehensiveness of AML legal framework	Medium
2	Effectiveness of supervision procedures and practices	Low
3	Availability and enforcement of administrative sanctions	Medium
4	Availability and enforcement of criminal sanctions	Medium

⁶⁵ Source: Role of the banking system – the SBV's Forum.
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No	General AML control variables	Rating
5	Availability and effectiveness of entry controls	Medium
6	Integrity of banks' staff	High
7	AML knowledge of banks' staff	Medium Low
8	Effectiveness of compliance function	High
9	Effectiveness of suspicious transaction monitoring and reporting	Medium Low
10	Availability and access to beneficial ownership information	Low
11	Availability of reliable identification infrastructure	Medium Low
12	Availability of independent information sources	Medium

Table 3: Results of assessing the vulnerability of banking products/services

No	Products/services	The final vulnerability of products/services ⁶⁶
1	Private banking	Medium High
2	Retail deposit	Medium High
3	Credit products for retail customers	Medium low
4	Credit products for small and medium-size businesses	Low
5	Credit products for large businesses	Medium
6	Current account	Medium High
7	Wire transfers	Medium High
8	Trust and asset management services	Medium low

⁶⁶ The potential vulnerability score does not take into account the impact of AML controls on the vulnerability of the product. On the other hand, the final vulnerability score is calculated after considering AML controls. The more effective and comprehensive AML controls are, the lower the final product vulnerability is.
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No	Products/services	The final vulnerability of products/services ⁶⁶
9	Trade finance	Medium High
10	Correspondent accounts	Medium low
11	Electronic banking	Medium High

The economic and social situation of Vietnam and the whole world in the period 2018 - 2022 has witnessed major fluctuations due to the impact of the COVID-19 pandemic. Playing a vital role in the economy, the banking system's operations cannot avoid negative impacts. In that context, the SBV has proactively issued documents to remove difficulties for customers such as: allowing banks to restructure debt repayment terms, waive loan interest rates, maintain the same debt group, and remove difficulties in getting loans for customers...; as well as completing regulations on organizations and operations of the banking system.⁶⁷

In general, the total assets of the banking system have increased from VND 9,707,307 billion in 2017 (equal to 195% of the country's GDP in 2017) to VND 16,692,868 billion in June 2022 (estimated at 188% of the country's GDP in 2022). Of which, the total outstanding credit balance provided to the economy by the system was up to VND 11,428 trillion, equal to 129% of GDP. Bank credit is acting as the main capital channel of the economy, meeting capital needs for production and business, contributing to the economic growth⁶⁸.

The banking system provides many products/services to meet the diverse needs of customers, such as: lending, deposits, financial leasing, foreign currency trading, monetary market instruments, derivative financial instruments, currency brokerage, asset management, payments, consulting and financial information services, serving a large number of business and individual customers, including high-risk customers and politically exposed person (PEP) customers.

Table 4. Vietnam's banking system (until December 31, 2022)

No	Type	2018	2022
1	State-owned commercial banks ⁶⁹	4	4
2	Policy banks ⁷⁰	2	2

⁶⁷ Source: Information portal of the Institute of Financial Strategy and Policy.

⁶⁸ Source: Statistics of the SBV in June 2022.

⁶⁹ State-owned commercial banks include: Vietnam Bank for Agriculture and Rural Development, Global Petroleum Commercial Bank Limited, Ocean Commercial Bank Limited, Vietnam Construction Commercial Bank Limited.

⁷⁰ Policy banks: Vietnam Bank for Social Policy, Vietnam Development Bank.

3	Joint-stock commercial banks	31	31
4	Joint-venture banks	2	2
5	Banks with 100% foreign capital	9	9
6	Foreign bank branches	49	52
7	Cooperative Banks	1	1

(Source: The State Bank of Vietnam)

The period from 2018 to 2022 is also the period of modernizing the payment system in the banking sector. The legal corridor in the field of non-cash payment continues to be researched and perfected; Interbank electronic payment system, Financial switching and electronic clearing systems, ATM/POS systems of banks operate stably, safely and smoothly; The scale, number of transactions and transaction values are increasing, meeting the needs of payments and money transfers, promoting fast, convenient, accurate, safe and secure payment activities. Regarding digital transformation in banking operations, 95% of commercial banks have been building or are planning to build a digital transformation strategy with new technical solutions and technologies such as: Blockchain, Electronic customer identification and verification (eKYC)... is strongly applied by banks in their professional activities and supply of products and services. Total means of payments in the economy increased by 70% (from VND 8,192,548 billion in 2017 to VND 13,908,338 billion in June 2022). Total capital mobilization from domestic institutions and individuals increased by 59% (from VND 7,214,642 billion in 2017 to VND 11,468,408 billion in June 2022) ⁷¹.

Table 5. Assets of Banks (as of June 30, 2022)

Type of credit institution	Total assets	
	Billion VND	%
State commercial bank ⁷²	7.096.109	45,66%
Social policy bank	289.463	1,86%

⁷¹ Source: Annual Report of the State Bank of Vietnam in 2017 and Statistics of the State Bank of Vietnam in June 2022.

⁷² The state-owned commercial banking sector includes: Vietnam Bank for Agriculture and Rural Development, Vietnam Joint Stock Commercial Bank for Industry and Trade, Joint Stock Commercial Bank for Foreign Trade of Vietnam, Joint Stock Commercial Bank for Investment and Development of Vietnam, Global Petro Commercial Bank Limited Liability, Ocean Commercial One Member Limited Liability Bank.

joint stock commercial bank	7.571.770	48,72%
Joint venture commercial bank, foreign	1.684.832	10,84%
cooperative bank	50.694	0,33%
entire banking system	16.692.868	

(Source: The State Bank of Vietnam)

Banks strive to improve financial capacity, increase safety ratios, and strengthen risk management.

The banking system also faces many potential risks, is abused for illegal acts. Based on the results of coordination between the SBV and law enforcement agencies and through inspection and examination work in the banking sector, it has been shown that many cases have been initiated related to the following acts: "Illegally transferring currency across borders", "Forging seals and documents of agencies and organizations", "Illegal trading of invoices", "Tax evasion", "Fraudulent appropriation of assets"...

Inspection work continues to be carried out in the direction of legal person inspection, closely linked with supervision work, gradually combining and applying a risk-based inspection approach, aiming at prevention and early warning of risks that are likely to arise; In particular, the AML inspection content has been included in the annual inspection plan.

II. Money laundering vulnerability of the banking sector

The ML vulnerability of the banking sector is MEDIUM HIGH, shown in the following points:

1. Vulnerability of general input variables

1.1. The AML Law and documents guiding the implementation of the AML Law⁷³ stipulate and guide on measures to prevent, detect, combat and handle natural

⁷³ The AML Law No. 07/2012/QH12 dated June 18, 2012, effective from January 1, 2013; Decision No. 20/2013/QĐ-TTg dated April 18, 2013 of the Prime Minister on the value of large transactions that are subject to reporting requirements. Accordingly, the value of a large transaction that must be reported is VND 300 million; Decree No. 116/2013/ND-CP dated October 4, 2013 of the Government detailing the implementation of a number of articles of the AML Law; Decree No. 87/2019/ND-CP dated November 14, 2019 of the Government amending and supplementing a number of articles of Decree No. 116/2013/ND-CP dated October 4, 2013 of the Government detailing the implementation of a number of articles of the AML Law; Circular No. 35/2013/TT-NHNN dated December 31, 2013 guiding the implementation of a number of regulations on AML; Circular No. 31/2014/TT-NHNN dated November 11, 2014 amending and supplementing a number of articles of Circular No. 35/2013/TT-NHNN dated December 31, 2013 guiding the implementation of a number of regulations on AML; Circular No. 20/2019/TT-NHNN dated November [Type here]

or legal persons for ML acts; responsibilities of agencies, organizations and individuals in AML; international cooperation in AML.

The AML Law is a comprehensive legal document regulating AML in compliance with international practices and standards on AML/CFT. This is a significant step forward in the legal corridor in AML work. However, due to current changes, some provisions of the AML Law have shown inadequacies and limitations in implementation.

A number of new activities with high potential risks of ML need to be added to the reporting entities of the AML Law such as payment intermediary activities, virtual currency transactions, e-wallet transactions, online/peer-to-peer lending... Currently, the legal framework for payment intermediary activities is relatively complete, however, the regulations on AML applicable to this subject are only stipulated in bylaw documents, so they are not really comprehensive and effective.

The ML preventive measures that reporting entities must apply in comparison with the requirements in the FATF 40 Recommendations have still some limitations. The provisions applicable to legal arrangements are currently incomplete and unclear because the definition of legal arrangements set out in the AML Law is not consistent with the concept in FATF recommendations. Provisions on transactions related to new technologies still do not meet new requirements arising from FATF recommendations such as requiring reporting entities to conduct a ML risk assessment prior to the launch of products or services using new technologies, measures to identify, update, and verify information are not complete and appropriate...

Regulations on analyzing and handling suspicious transaction information are not clear and complete. In addition, the provisions in the AML Law do not cover all the key tasks of the unit operating as the focal point for implementing the AML functions under the SBV, such as supervision, warning, and information exchange with other domestic and foreign agencies and units in implementing AML work.

1.2 The SBV has issued an Inspection Handbook under Decision No. 857/QD-NHNN dated May 11, 2022, which includes content on inspection of compliance with legal regulations on AML/CFT/CPF. Pursuant to the legal basis specified in the Penal Code (Article 300 and Article 324); Law on Credit Institutions 2010 (amended and supplemented); the AML Law 2012, Law on Counter-Terrorism 2013 (CT Law); related Decrees and Circulars, the inspection agencies collect information and request banks to provide and report relevant information to conduct inspections,

14, 2019 amending and supplementing a number of articles of Circular No. 35/2013/TT-NHNN dated December 31, 2013 guiding the implementation of a number of regulations on AML.

On November 15, 2022, the National Assembly passed the AML Law No. 14/2022/QH15, effective from March 1, 2023. On April 27, 2023, the Prime Minister signed Decision No. 11/2023/QD-TTg regulating the value of large transactions that are subject to reporting requirements (replacing Decision No. 20/2013/QD-TTg), effective from December 1, 2023. On April 28, 2023, the Government signed and promulgated Decree No. 19/2023/ND-CP setting forth detailed provisions for selected articles of the AML Law.

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including: (i) The internal procedures on AML; (ii) Assignment of staff and departments in charge of AML; (iii) Customer identification and information update; (iv) Inspection on customer classification based on risks; inspection of customer and transaction screening according to blacklists and warning lists; (v) Implementation of various types of reports; (vi) Training on AML/CFT; (vii) Examination and evaluation of investment in building information technology systems to serve customer identification, customer and transaction screening; (viii) Examination of ML/TF risk assessment; the bank's coordination in providing customer information at the request of the authorities.

In addition, the Asian Development Bank (ADB) sent the SBV a draft risk-based inspection manual on AML/CFT for financial institutions on April 23, 2021. Accordingly, the SBV transferred the manual to relevant ministries and agencies⁷⁴ for study and comments to be amended in accordance with the legal regulations as well as the practices of AML implementation in Vietnam. With support from ADB, the SBV held a training program for inspection staff from September 21-30, 2021 based on the Risk-based Inspection Handbook on AML. Currently, the SBV is in the phase of researching, developing and completing the Risk-based Inspection Handbook on AML.

Risk-based inspection in general, including the AML content, has only been initially applied to the inspection and supervision of foreign credit institutions but not yet to domestic credit institutions. Resources to carry out AML inspection and supervision also have certain limitations.

AML inspection and supervision is also given importance. From 2018 to March 2022, there were nearly 670 inspections and examinations conducted, including specialized inspections with AML content and AML inspections⁷⁵. Through the inspection, a number of recommendations were made regarding the improvement of internal procedures on AML. However, no serious violations have been detected and no decisions to sanction administrative violations regarding AML have been issued. Most banks' staff are aware of their AML responsibilities, and do not show signs of colluding with criminals or committing fraudulent acts in controlling AML activities.

1.3. Vietnam has researched and reviewed to further improve the legal framework on sanctioning violations related to AML. In the period from 2019 to 2021, the Prime Minister issued: (i) Decree No. 88/2019/ND-CP dated November 14, 2019 regulating penalties for administrative violations in the monetary and banking sector; (ii) Decree No. 143/2021/ND-CP dated December 31, 2021 amending and supplementing a number of articles of Decree No. 88/2019/ND-CP

⁷⁴ Ministry of Industry and Trade, Ministry of Construction, Ministry of Finance, Ministry of Justice, Ministry of Home Affairs, Ministry of Foreign Affairs, Ministry of Planning and Investment

⁷⁵ Source: Survey and statistics in the period from 2018 to March 2022 of units under the BSA and Banking Inspection and Supervision of the SBV's provincial and city branches.

regulating penalties for administrative violations in the monetary and banking sector, including some contents related to AML as follows:

- ***Regarding adjustment scope:*** The Decree supplements the scope for acts of violating the laws and regulations on prevention and combat of financing the proliferation of weapons of mass destruction (CPF) in order to stipulate sanctions for these acts in Decree No. 81/ 2019/ND-CP dated November 11, 2019 of the Government on preventing and combating the proliferation of weapons of mass destruction.

- ***Regarding raising fines for some specific violations:*** The Decree has raised fines and added remedial measures for violations of regulations on AML/CFT with the difference between the minimum penalty and the maximum penalty is VND 50,000,000 or VND 100,000,000 depending on each administrative violation.

- ***Regarding amendments and supplements to some specific administrative violations:*** Pursuant to the provisions of the Law on Handling of Administrative Violations (amended and supplemented) and guiding documents, on the basis of responsibilities, obligations and prohibitions in the legal documents issued since Decree 88 took effect until now, the Decree has amended, supplemented and abolished a number of administrative violations, at the same time, based on the specific nature of violations, stipulated appropriate penalties. Specifically, the Decree has amended and supplemented acts and sanctions for a number of violations of regulations on AML, CFT, CPF.

1.4. The Penal Code No. 100/2015/QH13 dated November 27, 2015 (effective from January 1, 2018) stipulates effective, proportionate and dissuasive criminal sanctions in cases of non-compliance with AML regulations such as the crime of intentionally/inadvertently disclosing state secrets, the crime of losing state secret objects and documents, the crime of falsifying positions, ranks, working positions, the crime of forgery in public works, crime of irresponsibility causing serious consequences, crime of complicity. Through survey data, it shows that in the period from 2018 to present, a number of bank staff have been investigated, initiated, and prosecuted for financial crimes such as fraud, scams (cases related to bank officials and employees who committed fraud...)⁷⁶.

1.5. The Law on AML divides the subjects licensed to operate into financial institutions (including credit institutions, foreign bank branches and non-bank credit institutions) and relevant non-financial businesses and professions (DNFBPs).

Specifically, the licensing of commercial banks, foreign bank branches and representative offices of foreign credit institutions and other foreign institutions with banking activities in Vietnam is carried out according to Circular No. 40/2011/TT-NHNN dated December 15, 2011 (amended and supplemented). Up to now, no

⁷⁶ In the period from 2018 to June 2022, there were 60 cases involving 160 bank staff who were initiated and prosecuted for financial fraud (fraud, scam...)
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institution's license application has not been granted or suspended or withdrawn due to failures to meet AML requirements.

1.6. According to survey results, most banks have issued internal regulations and instructions in accordance with legal regulations on AML/CFT to protect bank officials and employees when performing STRs and other related work. However, there are still some bank officials⁷⁷ who violated internal regulations on AML. Banks have applied sanctions to bank officials and employees for their violations⁷⁸.

1.7. All banks in the system have been trained in AML knowledge, the trained staff are mainly officers in charge of AML and tellers. Training programs are designed to ensure suitability for all management levels of bank officers and employees with regularity for each subject⁷⁹. Training courses on AML/CFT are often organized through the activities of the Banking Officer Training School and the Banking Association.

In addition, according to AML laws and regulations, banks have self-deployed training on AML/CFT with on-site lecturers or experts.

However, due to the Covid epidemic occurring in the period from 2020 to June 2022, most training courses were conducted online, so bank officials did not fully participate in those courses.

1.8. According to survey results, most banks have fully issued internal regulations and updated internal regulations when there are changes at banks. Every year, most banks perform internal audits and assess ML/TF risks. All banks have officers in charge of AML/CFT⁸⁰. Most banks have registered and/or timely updated when there is a change of officers in charge of AML/CFT to the AMLD.

1.9. Survey results at banks in the period from 2018 - 2022 show that there has been an improvement and upgrade in information technology systems to screen and monitor customers and transactions (more than 70% of banks have information technology systems which effectively meet and support the screening of customers and tracking of large value and unusual transactions).

⁷⁷ According to survey results, from 2018 to March 2022, there were 1,336 bank officials (about 0.1% of the number of bank officials) violating internal regulations on AML.

⁷⁸ According to survey results, from 2018 to March 2022, 84% of banks have disciplined their staff according to labor regulations, 9% of banks have deducted salaries, bonuses, emulation of the staff, and 7% of banks forced staff to resign.

⁷⁹ According to survey results, from 2018 to March 2022, nearly 2,500 training courses were conducted for nearly 380,000 bank officials and employees in different positions. Regarding testing and training results, only 3% of bank employees did not meet the requirements and needed retraining.

⁸⁰ According to the survey, 98% of banks have fully issued internal regulations on AML/CFT. 97% of banks have fully carried out internal audits and annual risk assessments on AML/CFT at their units. The total number of officers in charge of AML/CFT in the banking sector is nearly 700 people (average 07 officers/unit)

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Through the process of analyzing and handling STRs from 2018 to June 2022, the State Bank of Vietnam has issued 15⁸¹ of official letters of guidance and warnings to banks to effectively implement the screening of transactions and STRs. The AMLD found that the quality of STRs has improved⁸² compared to the previous period. However, there still exist a few banks that have not yet submitted STRs.

During the period from 2018 to June 2022, the AMLD received nearly thousands of STRs from banks (accounting for 81% of the total number of STRs). In which, 51.32% of STRs were transferred to competent authorities⁸³ for handling according to their authority. Regarding the response results of the authorities, the AMLD received dozens of documents which informed cases with decisions to initiate and violations of laws and regulations (accounting for 1.5% of the number of STRs transferred).

1.10. The AML Law No. 07/2012/QH13 fully regulates the collection of beneficial owner information as well as other mandatory customer identification information, however Circular No. 02/2019/TT-NHNN dated December 28 2/2019 of the State Bank of Vietnam on amending a number of articles of Circular No. 23/2014/TT-NHNN dated August 19, 2014 of the State Bank of Vietnam guiding the opening and use of payment accounts at payment service providers added some regulations on customer identification but did not require to collect full information about beneficial owners.

⁸¹ 15 official letters sent to banks, including: Official Letter No. 06/Cục III.2 dated January 24, 2019, regarding the preparation of a dossier and documents attached to STRs. Official Letter No. 738/TTGSNH11 dated May 13, 2019, regarding STRs. Official Letter No. 830/TTGSNH11 dated May 27, 2019, concerning websites with signs of gambling. Official Letter No. 900/TTGSNH11 dated June 5, 2019, regarding the handling of information on transactions with criminal indications. Official Letter No. 2222/TTGSNH5 dated December 6, 2019, on improving the quality of STRs. Official Letter No. 551/TTGSNH5 dated May 14, 2020, concerning websites with signs of legal violations. Official Letter No. 176/CụcV.2 dated March 2, 2021, on effectively implementing STRs. Official Letter No. 1011/TTGSNH5 dated March 29, 2021, sent to 22 foreign bank branches regarding the implementation of AML measures. Official Letter No. 625/CụcV.2 dated July 13, 2021, on sending soft copies for STRs. Official Letter No. 1104/CụcV.2 dated December 10, 2021, regarding warnings related to websites with signs of legal violations. Official Letter No. 1167/CụcV.2 dated December 27, 2021, regarding warnings related to fraud. Official Letter No. 1346/NHNN-TT dated April 18, 2022, on enhancing measures to ensure the security and safety of payment activities, and coordinating in preventing and combating online gambling and betting activities. Official Letter No. 4347/NHNN-TT dated June 17, 2022, on strengthening measures to ensure security, safety, and the prevention of crimes and legal violations related to gambling and football betting. Official Letter No. 5865/NHNN-TT dated August 24, 2022, on strengthening risk management measures for the opening and use of payment accounts. Official Letter No. 7262/NHNN-TT dated October 17, 2022, on studying the application of residential data, identification, and electronic authentication in certain banking activities.

⁸² Improvement: (i) In terms of forms: banks' STRs have been reported in comply with the STR form prescribed in Circular No. 35/2013/TT-NHNN, attached documents and records are relatively complete; (ii) In terms of contents: banks have identified transactions related to STRs and reported large value transactions; the majority of STRs pointed out unusual elements of the transaction. However, many STRs still do not describe the transaction cash flow, relationships between individuals/organizations performing and/or involved in the transaction.

⁸³ The authorities include: 80% of STRs sent to the Police Department, 17.45% of STRs sent to the Tax Authority, and 2.55% of STRs sent to other agencies (including the Securities Commission, the General Department of Customs – Ministry of Finance).

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According to the survey results, the majority rate the availability and access to beneficial owner information as very low or medium: The survey results suggest that comprehensive information on the structure, management, control and beneficial ownership in corporations, trusts and similar vehicles is not readily available, access to this information is very low (51%) or medium (47%), very few rate it as high (2%). Specifically:

- *For information sources from regulatory agencies:* There is no independent and official information source from competent agencies that provides a database of all legal entities for banks to access and look up information about beneficial owners. The Business Registration Certificate also no longer has information about all business owners, so the Business Registration Certificate submitted by the customer no longer supports this process of finding out the origin of assets.

- *For external information sources:* There are some external search services, but the cost is high and the information is not complete as required by the AML Law. Accessing information is quite convenient if the institution/enterprise has issued shares to the public (IPO) because then business records will be made public on independent search services such as cafef.vn, finance.vietstock.vn.... For other institutions/enterprises, corporate records are not public and this makes access to beneficial owner information as well as ownership structure very difficult.

1.11. According to the provisions of the AML Law No. 07/2012/QH13, credit institutions and foreign bank branches operating in Vietnam use documents and data to verify customer identification information, including: (i) Identity card, citizen identification card, valid passport and other documents issued by competent authorities for individual customers, (ii) License or decision to establish; decision to change name, split, merge; Certificate of business registration; decision to appoint or contract to hire general director (director), chief accountant for institutional customers.

According to the survey results of the AMLD on banks in Vietnam in the period 2018 - 2022, currently banks are only accessing and exploiting information on the National Information Portal on business registration; not the National Population Database.

However, to identify, verify customer information and control risks related to ML/TF, banks have developed measures to prevent and combat fraud, specifically: (i) In the process of opening and using accounts for individual and corporate customers, banks have set up control points to prevent and detect fraud and forgery⁸⁴; (ii) Some banks have introduced automatic tools into their systems to prevent subjects with a history of forgery. At the same time, banks have deployed eKYC

⁸⁴ According to a survey of 90% of banks in Vietnam from 2018 to Quarter 1/2022, banks proactively detected and refused transactions with 25,517 individuals suspected of having fake ID/citizen cards/passports and 29 institutions suspected of having fake tax/business registration numbers (including over-the-counter transactions and electronic transactions).

solutions (using facial biometric technology) to detect document falsification when opening current accounts; (iii) The bank's database system (including the AML/CFT system - AMLS) has integrated information about customers on the blacklist/warning list so as not to establish a business relationship or agree to establish a relationship under specific conditions.

In addition, the Prime Minister issued Decision No. 06/QĐ-TTg dated January 6, 2022 on approving the project to develop application of population data, identification and electronic authentication for the national digital transformation period 2022-2025, vision to 2030 (Project 06). In the near future, when the National Population Database system allows access and exploitation, it will be a necessary information warehouse to support banks in identifying, verifying customer information, and controlling risks related to ML/TF.

1.12. Reliable and independent sources of information are considered available if there is sufficient reliable financial history information and other information related to customers, and banks have easy access to this source of information: yes, but it's still difficult and the information is incomplete. Specifically:

Currently, banks can access information from the National Credit Information Center of Vietnam (CIC), Tax, Customs, Financial Audit, and independent information lookup services. However, 68% of banks rate the availability of independent information sources as limited. In addition to the information searched from CIC related to credit information operations, banks encounter main difficulties and obstacles in accessing and using other independent information sources:

- For individuals: information about taxes, criminal records, handling, and administrative sanctions is largely incomplete so that banks can compare and check with current individual customers and confirm whether the customer is the correct person on the list or not.

- For institutions (enterprises):

- + Information sources from the databases of state management agencies on domestic and foreign enterprises are limited, information on beneficial owners of enterprises is difficult to find or access, leading to many difficulties in reviewing customers as well as related parties in transactions according to AML regulations⁸⁵.

- + Information sources from other lookup service providers: Purchasing information lookup services from foreign providers faces high costs.

2. Level of vulnerability of the products/services

⁸⁵ Content often fails to load, information is not fully displayed on the website; Some information on the customs declaration is not shown in the search results from the customs portal (adjustments, shipping fees, insurance fees, other fees, value declaration details, notes, delivery conditions...); Information about the director and chief accountant is not available or not updated in the Tax page; There is no information about the names and permanent addresses of members of the Board of Directors/Board of Members, the Executive Board, and the company's chief accountant on the company's website.

Each banking product/service has a different level of potential vulnerability. Based on the popularity and features of current banking products/services, 11 banking products/services were selected to assess the level of potential vulnerability.

Through analysis and survey results of 54 banks in Vietnam (accounting for more than 90% of the total assets of the banking system), Among them, the four State-owned commercial banks—BIDV, VietinBank, Vietcombank, and Agribank—with total assets amounting to VND 7 quadrillion, accounting for 45.66% of the banking system⁸⁶, indicate: Of the 11 banking products/services mentioned above, 05 products/services, including: Retail deposits, Wire transfers, Current accounts, Trade finance and Electronic banking services are identified as more vulnerable products/services on the basis of transaction sizes, trading behaviors and customer profiles.

2.1. Private banking – Medium high

Private banking is a service for priority customer groups/upper class customers, meaning individual customers with large assets (High Net Worth Individual - HNWI)⁸⁷. Private banking has appeared for a long time in developed countries. In Vietnam, this service started 7-8 years ago with the model of priority customer groups and important customers (VIP). In recent years, some banks have upgraded and developed this service according to the model of high-end customer groups, "super rich" customers with many different privileges.

The proportion of banks providing private banking services in Vietnam accounts for about 28% of the total number of banks. Each bank has different criteria and conditions to classify customers providing private banking, with a strong focus on deposit and credit balance criteria. Private banking products provided to this customer group are also very diverse: deposits, loans, payments, credit cards, insurance, financial planning...⁸⁸

According to survey data of banks, the total deposit mobilization scale of priority customer groups is high, accounting for about 30% of the bank's total liabilities, the total credit scale accounts for about 20% of the bank's total assets. Regarding customer classification, the number of high-risk customers is less than 3%. The number of PEP and non-resident customers is very low (less than 1% of total customers)⁸⁹. Because the priority group of individual customers has large assets, large transaction scale, and the psychology of using cash in transactions in Vietnam is still quite popular⁹⁰, the amount of cash transactions is still at a high

⁸⁶ Data source: Statistics of some basic indicators from the State Bank of Vietnam, June 2022.

⁸⁷ Source: tapchinhang.gov.vn

⁸⁸ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

⁸⁹ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

⁹⁰ Source: <https://laodong.vn/lanh-doanh/viet-nam-lot-top-10-nuoc-Giao-dich-tien-mat-nhieu-nhat-the-gioi-927459.laod>

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average level. Regarding international money transfer, 90% of banks rate the international money transfer activity of this group of customers as low⁹¹.

Regarding taking advantage of products for money laundering, fraud and tax evasion, although banks do not have separate statistics on suspicious transactions for private banking products, investigation cases on money laundering and fraud in current time appear to be related to individuals who used to be priority/VIP/high-class customers of banks (for example: General Director of Nhat Cuong Company, Chairman of the Board of Directors of Alibaba real estate Company...). Therefore, private banking products are assessed at the level of presence of money laundering, fraud and tax evasion.

Most banks have applied AML control measures according to the provisions of laws and some banks have additional information technology systems to support automatic filtering/scanning of customer/transaction information, scenario analysis... However, these measures are applicable to all products.

With the characteristics of private banking as analyzed above, customers use a variety of banking products and services. The number of priority customers accounts for a small proportion, but the size of this customer group accounts for an average high proportion; there are many limitations in collecting information and verifying the origin of assets; the rate of cash usage for deposit products is medium high; the proportion of international transactions is low; the proportion of high-risk customers is low; products can be used for money laundering, fraud and tax evasion. It shows that private banking is assessed at a medium high level of vulnerability to money laundering.

2.2. Retail deposits – Medium high

Retail deposit products include demand savings deposits and term savings deposits. The total value of retail deposits accounts for 34% of the bank's total liabilities⁹², the average transaction value of the product is 293 million VND/customer/year (equivalent to 12,479 of USD)⁹³.

Customers with large retail deposits (> VND 5 billion/year) account for 8% of the total number of customers, but the total scale of this customer group accounts for 29% of the total retail deposit value. In addition, the group of retail deposit customers who are PEPs accounts for a very small proportion (approximately 0%) of the total number of customers; non-resident customer groups account for 3% of the total number of customers (of which, for foreign banks, this number is up to 42%, while some domestic banks have no non-resident customers)⁹⁴.

⁹¹ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

⁹² Source: Statistics of the State Bank of Vietnam in June 2022.

⁹³ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

⁹⁴ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

The State Bank of Vietnam has issued instructions on receiving and paying savings deposits by electronic methods as prescribed in Article 19 of Circular No. 48/2018/TT-NHNN dated December 31, 2018 regulating savings deposits; At the same time, according to the survey, 54/60 banks have deployed and developed online retail deposit products. However, more than 50% of customers still have the habit of using cash to deposit savings and then withdraw/finalize savings in cash⁹⁵.

Currently, banks have established risk control mechanisms on ML/TF for this product, including: Developing internal regulations on ML/TF; Issuing internal regulations during the product supply process; Identifying and updating customer information; Identifying the origin of retail deposits; Supervising and checking customers; Classifying customers according to risk to prevent and combat ML right in the product; Carrying out training for banking staff (especially tellers who have direct contact with customers). Through the process of monitoring and tracking unusual transactions, banks have made thousands of STRs (accounting for 33% of the total number of STRs sent to the AMLD) related to transactions of customers using retail deposit products⁹⁶. To date, there are no statistics on cases related to the use of retail deposits for ML/TF purposes. However, a number of recent typical cases show that individuals have had large value retail deposits at banks. For example: General Director of Viet A Technology Joint Stock Company and his family members, General Director of Nhat Cuong Company...⁹⁷

This product is assessed to have a medium-high vulnerability to money laundering and financial abuse because in Vietnam the level of cash transactions is high and it is difficult to accurately determine the origin of the money used. In addition, deposit customers can use this product as an intermediary step to transfer money domestically and internationally or transfer savings to other forms of payment such as paying for goods, buying real estate, securities or other financial instruments. The money laundering risk of retail deposits also lies in the ability to transfer owners, make personal gifts or giveaways without binding conditions. The characteristics of retail deposits show that this product is medium highly vulnerable to money laundering compared to other products in the banking sector.

2.3. Credit products for retail customers – Medium low

Through a survey of banks in the period 2018-2022, credit products for retail customers are considered popular products in the banking sector and can face vulnerability from ML/TF activities⁹⁸.

⁹⁵ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

⁹⁶ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

⁹⁷ Source: Data on large value cash transactions at the AMLD.

⁹⁸ 90% of commercial banks that were asked to provide information confirmed that credit products for retail customers were subject to ML/TF risks.

The total value of credit products for retail customers accounts for 33% of the bank's total assets⁹⁹, the average transaction value of credit products for retail customers is VND 600 million/customer/year¹⁰⁰. The risk rating for customers using credit products is low. Special features of credit products for retail customers are (i) Mechanism for assessing customers' conditions and sources of debt repayment and (ii) Mechanism for strictly controlling the purpose of capital use. Therefore, the bank has a basis to evaluate whether the source of debt repayment is legal or illegal, and at the same time limit customers from using the money provided by the bank for illegal purposes. The survey results of 54/60 banks show that banks all apply these policies during product operation, which is also consistent with the provisions of Vietnamese laws on operations of lending/credit granting by credit institutions to customers.

Regarding the level of cash usage, (i) For disbursement: mainly transfer; the cash disbursement method is only applicable in two less common cases: the customer or the beneficiary does not have a current account, but in this case of cash disbursement, the loan value will be limited with no more than VND 100 million (equivalent to no more than 4,000 USD)¹⁰¹; (ii) For debt repayment: both transfer and cash; (iii) For customer's credit usage: transfer and cash. However, the bank shall monitor the customer's use of the granted credit and the customer shall have to clearly describe the purpose of use in accordance with the credit granting purpose agreed between the bank and the customer.

The peculiarity of this product is that banks can lend to resident individuals; there are no regulations allowing overseas lending to non-resident individuals¹⁰². In addition, the main method of disbursement and capital use of this product is through a VND account opened at a domestic payment service provider. Therefore, the frequency of international transactions related to credit products for retail customers does not arise.

According to the survey of 54/60 banks, banks have established risk control mechanisms on ML/TF for this product, including: Developing internal regulations on ML/TF; Issuing internal regulations during the product supply process; Identifying customers using credit, identifying guarantors of credit, updating customer information; Identifying the origin of credit repayments and collateral for credit; Supervising and checking customers; Supervising and checking product supply and operation; Classifying customers according to risk to prevent and combat

⁹⁹ Source: Statistics of the State Bank of Vietnam in June 2022.

¹⁰⁰ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

¹⁰¹ Article 5, Article 6 of Circular No. 21/2017/TT-NHNN dated December 29, 2017 regulating loan disbursement methods of credit institutions and foreign bank branches to customers.

¹⁰² Circular No. 45/2011/TT-NHNN dated December 30, 2011 regulating foreign exchange management for loans and foreign debt recovery of credit institutions and Circular No. 39/2016/TT-NHNN dated December 30 December 2016 regulating lending activities of credit institutions and foreign bank branches to customers.

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ML/TF right in the product; Ensuring and being ready to provide information and reports; Screening and monitoring customers with warning lists before and during the credit granting process; Training on ML/TF related to products.

For the reasons analyzed above, this product is assessed to have a medium low vulnerability.

2.4. Credit products for small and medium-size businesses - Low

Credit products for small and medium-size businesses (SMEs) are popular lending products at Vietnamese banks for corporate customers identified in the small and medium segment to serve their needs of production and business of enterprises.

The total outstanding debt of the products as of December 31, 2018 was VND 2,292,189 billion (equivalent to USD 97,731 million), accounting for 25.3% of total assets of banks. The total outstanding debt of the products grew annually at a decreasing rate. By December 31, 2021, the total outstanding debt of the products reached VND 3,352,385 billion (equivalent to USD 142,934 million), accounting for 27.4% of the total assets of banks. Average outstanding debt/customer was VND 252 million/customer¹⁰³.

The total disbursement revenue in the year for products increased sharply over the years, in 2018 reaching VND 3,013,491 billion, by 2021 reaching VND 6,463,664 billion. Of which, the average disbursement revenue/customer was VND 69.9 billion/customer¹⁰⁴. Thus, it can be seen that although the average loan balance/customer is low, the average disbursement volume/customer is much higher than the loan balance. This shows that the loan turnover level of SME customers is quite good.

Customers using SME credit products are all resident corporate customers, there are no cases of customers with criminal records nor PEPs.

Basically, most cases where customers use the product are disbursed by credit institutions and transferred directly to beneficiaries, the proportion of cash disbursement is very low in total disbursement revenue. According to statistics from some banks, this rate is only 5%.

The proportion of products disbursed abroad is low, in 2021 it was less than 5%. This shows that the risk of money laundering is very low.

For this product, collateral assets are highly liquid assets and real estate in order to secure the customer's outstanding debt accounts for about 60% of the total value of collateral secured for outstanding debt (in 2021, this rate was at 62.2%, of which the rate for high liquid assets was 8.8%, real estate assets were 53.4%). There are no cases of secured assets in foreign countries.

¹⁰³ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

¹⁰⁴ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

For sensitive fields with high risk of money laundering such as lending to foreign investment customers, lending to the real estate sector, lending to the casino sector, lending to the gold, silver and gemstone sector, the rates of lending to these fields are all low (the proportion of these fields in total disbursed revenue is less than 5%). Among them, the real estate sector accounts for the highest proportion. However, by 2021, this proportion has decreased sharply. Accordingly, the proportion of these industries in total disbursed revenue was at 1.06%, of which lending to the real estate sector was at 0.73%.

Banks' reports show that there are almost no STRs related to this product¹⁰⁵. Lending products are products that are not affected by other vulnerable factors such as using the product anonymously, taking advantage of the product for tax evasion, fraud, abusing the product for money laundering...

Products are governed by Vietnamese legal regulations; banks must control the disbursement of products to the right audience and for the right purpose. This work is controlled very strictly by banks. In addition, issues related to the origin of assets used as collateral for loans have not been strictly controlled, which leads to a potential risk of money laundering when customers intentionally do not repay on time and collateral must be dealt with. However, banks all have regulations and effective enforcement in selecting customers with real and effective production and business activities to consider lending. This has limited most possible money laundering risks.

For the reasons as analyzed above, the low level of transactions with foreign customers, low ratio of cash transactions, as well as the product being governed by many related strict legal regulations, this product is assessed as low vulnerability.

2.5. Credit products for large businesses – Medium

According to the survey of banks from 2018 to March 2022, the total average credit value of each year to large businesses accounted for 16.97% of the total credit value to the economy. The average transaction value of the product was VND 206 billion/customer/year, which was high. The total disbursement value in foreign currency for payments abroad accounted for 21.6% of the total disbursement value in the year.

For credit products for large businesses, the level of vulnerability to money laundering is medium. With this product, the potential money laundering risk is mainly in the source of money to repay debt (mixing dirty money to repay loans) and the origin of assets used by customers to secure loans (using dirty money to buy assets for collateral, or using deposits or assets of a third party as collateral).

However, these customers have a credit relationship with the bank, so their legality, business activities, and revenue sources to repay debt have all been assessed,

¹⁰⁵ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.
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therefore, the risk of customer identification information records is low than the risk of other products provided by the bank.

For the reasons analyzed above, this product is assessed as medium vulnerability.

2.6. Current accounts – Medium high

Current accounts are a very popular product of banks¹⁰⁶. This type of product can be compared to a key for customers to access financial products and services such as: Transfer, payment; Account overdraft; Issuing cards, issuing checks; Registering for other banking services, receiving disbursement and repaying loans to banks... Due to the popularity of this product, customers using current accounts are also diverse. According to statistics from banks, the majority of customers using current accounts have a low level of money laundering risk. The proportion of customers classified as high risk, customers who are PEPs or non-residents and come from high-risk jurisdictions is insignificant...

In the second quarter of 2022, the total transaction value of the current accounts on average reached VND 278,495 billion (about USD 11,861 million), with the average value per transaction was at VND 7 million/customer¹⁰⁷.

Cash is still a popular means of payment in Vietnam. However, the analysis of statistical data shows that the level of cash transaction activities of current accounts gradually decreased from 2018 to 2022. One of the reasons is the policy of promoting non-cash payments of the government and in line with that policy, there are more and more new technologies and new forms of non-cash payment that are convenient for customers.

Domestic transactions of current accounts still account for the majority, international transactions through current accounts only account for a small proportion (about 7% of the total number of transactions)¹⁰⁸.

According to the legal regulations on opening and using current accounts, regulations on AML and internal regulations of each bank, banks must identify and verify customer information before establishing a relationship and opening a current account. Therefore, in terms of regulations, the anonymity of this product is non-existent. However, in reality today, the situation of opening current accounts for rent or help still occurs, especially since the outbreak of the covid-19 epidemic, criminals have increased their fraudulent activities and hired people to open accounts. Therefore, banks evaluate the anonymity of the current accounts as present.

The products are popular and easily accessible, so the possibility of abusing the products for prohibited and illegal activities is also higher (gambling, illegal

¹⁰⁶ Source: Survey of 54 banks in the period from 2018 to March 2022.

¹⁰⁷ Source: Statistics of the State Bank of Vietnam in June 2022.

¹⁰⁸ Source: Survey of 54 banks in the period from 2018 to March 2022.

money transfer, virtual currency, smuggling...). Competent state agencies regularly remind and warn banks about new methods and techniques of criminals and request banks to strengthen preventive measures.

According to the survey from banks, the number of STRs has increased significantly each year¹⁰⁹. This is a general trend of banks, demonstrating the ability to identify, detect, and verify suspicious behaviors and transactions, and at the same time showing the coordination between regulators and reporting entities in receiving warnings about criminal methods and suspicious signs.

For the reasons analyzed above, this product is assessed as medium high level of vulnerability.

2.7. Wire transfers – Medium high

In the first quarter of 2022, bank wire transfers reached an average of more than VND 1,128,342.43 billion (equivalent to more than USD 49.65 billion), of which the total value of domestic wire transfers accounted for 63% and transactions by non-residents only accounted for 0.06% of the total transaction value. The average value of a domestic wire transfer was about VND 347.49 million¹¹⁰.

For overseas remittance activities, the majority of individuals' overseas remittance transactions are for non-commercial purposes such as settlement, study abroad, subsidies for relatives... For organizations, most transactions are for import payment activities and repatriation of profits. The total value of transactions via international wire transfers was about VND 433,374.81 billion, of which transactions by non-residents only accounted for about 0.19%¹¹¹.

With the development of the payment system, wire transfers are increasingly quick and convenient, transactions via internet banking, without face-to-face meetings, are more and more used. It is difficult for banks to control who actually performs a transaction (beneficial owner), especially through personal accounts. The current legal mechanism also limits the ability to identify the beneficial owner of an account/transaction in practice when banks cannot access to electronic identification systems or national databases.

Wire transfers are likely to cause ML/TF vulnerabilities at a medium high level, especially in the field of personal wire transfers. Banks face many difficulties in determining the origin of money because the Vietnamese economy still uses a large amount of cash, particularly in personal consumption transactions.

¹⁰⁹ According to the survey, a total of 6,252 STRs sent to the AMLD were related to current accounts. In particular, the number of STRs related to current accounts in the first quarter of 2022 was 581, an increase of 2 times compared to the same period in 2018.

¹¹⁰ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

¹¹¹ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

Despite that, banks have used measures to minimize the potential risks of wire transfers related to ML/TF through the construction and application of technology in supervision and detection of suspicious signs. In addition, banks have also applied enhanced supervision measures or not carried out transactions to and from high-risk jurisdictions as identified by FATF or of individuals and organizations belonging to the sanction lists of UNS, OFAC and EU.

2.8. Trust and asset management services – Medium low

According to current regulations, banks are allowed to perform their trusteeship offer and acceptance in respect of the following transactions or operations: Lending; Financial leasing; Capital contribution and stock purchase; Investment in production and business projects; Corporate bonds purchase¹¹². According to the survey results at banks, 17% of banks offered trust services for lending. Operations of trust services for lending are quite different from normal lending activities in terms of the origin of lending assets. Regarding the risk of abusing the product for money laundering, if a large source of money in trust cannot be clearly verified, tracing the origin of the crime will be relatively difficult.

The current AML laws and regulations require that when establishing relationships to use products and services provided by banks, banks must identify and verify customer information, and at the same time if there are occasional large value transactions that are not consistent with the customer's business activities, the bank must carry out special supervision measures and make STRs if the origin of assets is suspected to be related to crime.

During the period from 2018 to the first quarter of 2022, no STRs related to this activity have been detected and reported to the authorities¹¹³. In addition, there have been no cases of money laundering related to this product through information collected from internet sources. According to the survey results, most of operations of trust services for lending currently do not accept cash, so tracking transactions and documents can be done. In addition, the risk of anonymous parties in transactions is assessed as almost absent or present but very limited. Reporting entities implement prevention and detection measures according to current regulations without the need for other additional measures. Therefore, although the product can be abused due to the large amount of money in trust being introduced into the financial system, considering the product scale, customer base and other risk factors, the level of ML risk for this product is considered to be medium low, current regulatory preventive measures and not accepting cash can be effective controls to prevent potential risks.

2.9. Trade finance – Medium high

¹¹² Source: Circular No. 35/VBHN-NHNN dated July 8, 2016 providing for offer and acceptance trusteeship performed by credit institutions and foreign bank branches.

¹¹³ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks.

Trade finance is one of the basic and main business activities of banks to serve the business needs of enterprises in particular and the development of the market in general. Based on statistical data on economic growth¹¹⁴, investment, production recovery and import-export¹¹⁵, the demand for banking services to serve business and payments of enterprises tends to increase. Therefore, banks have been focusing on developing and providing trade finance with a diversified product and service portfolio to meet market trends. The main trade finance being offered by banks include: documentary discounts; domestic and foreign guarantee; contract guarantee; import and export collection; discounts of bills of exchange; factoring; reciprocal guarantee; re-guarantee and guarantee notification services, recourse, etc.

According to the survey of 54 banks in the period 2018 to March 2022, a trade finance transaction worth approximately 5 billion VND accounted for the majority¹¹⁶. Regarding the total transaction value from trade finance activities, 25% of banks had a transaction value of about VND 50,000 billion/bank/year and 25% of banks had a transaction value of about VND 20,000 billion/bank/year. Thus, the total transaction value size is "High" and the average value for a transaction is also assessed as "High".

The frequency of international transactions for this product is "High" and trade finance transactions are more complex than other products because import and export activities involve many subjects and countries (for example: insurer, carrier, buyer/seller, etc.). In addition, when performing operations related to trade finance, in addition to general knowledge of products and document checking operations, when customers present documents to the bank, operation departments' staff also need to be equipped with specialized AML knowledge for trade finance to recognize and detect suspicious signs while performing document inspection. Therefore, based on the nature of the product, trade finance is classified as "High" risk¹¹⁷.

Trade finance transactions at banks today have a high frequency of international transactions and include transactions from/to high-risk jurisdictions identified by FATF.

The number of banks with non-resident customers using trade finance was very low – only 2.8% of banks and this number of customers accounted for less than 1% of total customers using trade finance products.

¹¹⁴ Information from source: [The world is impressed with Vietnam's economic growth \(laodong.vn\)](http://laodong.vn)
Vietnam's economic growth in 2020 and prospects for 2021 - [Detailed news \(mof.gov.vn\)](http://mof.gov.vn)

¹¹⁵ Information from source: [Exports increase, Vietnam maintains trade surplus - General Statistics Office of Vietnam \(gso.gov.vn\)](http://gso.gov.vn)

¹¹⁶ For banks with large market shares, the average value for a trade finance transaction was over VND 10 billion, accounting for 21.2% of the survey group.

¹¹⁷ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks, 42.5% of banks classified their customers' overall ML risk (using trade finance products) at "Low" level; 57.5% of banks ranked customers from "Medium" to "High".

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The complexity of trade finance is very high because import, export and trade activities will involve third parties and/or intermediaries in the supply chain of goods. Therefore, the level of vulnerability increases due to the high possibility of money laundering, tax evasion and terrorist financing in trade activities¹¹⁸ (for example, the value of imported and exported goods may higher or lower than market value; distribution channels, shipping routes do not conform to practices and known information about customers, etc.).

Although the presence of investment/mobilization capacity of the product is non-existent in trade finance, with high capital financing, this product is likely to increase vulnerability due to money laundering through debt settlement transactions.

Because this product has a large transaction value, a high frequency of international transactions, and it is difficult to determine the true beneficiary of international wire transfer transactions, trade finance is considered as medium high vulnerability to money laundering.

2.10. Correspondent accounts – Medium low

Vietnamese banks are mainly counterparts, who are users of correspondent banking services provided by foreign banks. The total scale of correspondent accounts is quite low, because the number of counterparts opening correspondent accounts at banks is still low. The special feature of the correspondent accounts is that the account is established by a banking institution to receive deposits, make payments on behalf of or process other financial transactions for another financial institution. The respective accounts are established through bilateral agreements between two banks. On that basis, the investment presence/mobilization capacity for the product is low.

The peculiarity of this product is that the international transfer process often takes place between banks that do not have a previously established financial relationship. When arrangements cannot be made between sending banks and a receiving bank, then the correspondent bank acts as an intermediary. Most international bank transfers are made through the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Therefore, the level of cash transactions for correspondent accounts does not arise.

All banks in the survey were cautious in choosing reputable correspondent banks for transactions, and conducted research on counterparts about AML compliance in the host country before establishing correspondent banking relationships. At the same time, they learned and updated the "Negative News" of counterpart banks about AML compliance. Therefore, the vulnerability of this product to money laundering is medium low.

2.11. Electronic banking – Medium high

¹¹⁸ Reference source: [Documents - Financial Action Task Force \(FATF\) \(fatf-gafi.org\)](https://www.fatf-gafi.org/).
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The period 2018 - 2022 witnessed strong development in science and technology, especially in the banking sector, the types of electronic banking products and services are increasingly diverse and meet the need of customers. Besides popular electronic banking payment channels such as phone applications and banks' websites, a number of new forms are gradually being developed and popularized such as smart banking applications and digital ATMs (similar to a fixed access point) or some applications that connect directly between customers and banks. Some banks¹¹⁹ have begun to add features to support international payments through electronic banking services, but most are at the level of providing records and documents, the performance of transactions still continues to be checked at the bank.

Customers using electronic banking are mainly residents, including both individual customers and corporate customers, accounting for a high proportion of banks' customer portfolio and the number is increasing rapidly year by year¹²⁰. Most customers using electronic banking are assessed to have a medium or low risk level of money laundering.

The average value of each transaction through the electronic banking channel is on average from several million to several tens of million dong for individual customers and several hundred million dong for corporate customers, however, the number and transaction scale of e-banking products in general are relatively high and the growth rate is increasing¹²¹.

Thus, with a high transaction scale and outstanding characteristics of the ability to mobilize capital, the ability to remain anonymous¹²² when using the product, and the recognition of the product being exploited in some typical money laundering cases related to fraud, gambling, scam, e-banking services are rated as medium high level of vulnerability to money laundering.

III. Result of assessment

Based on the analysis and assessment of the effectiveness of variables related to AML/CFT measures and banking products and services, the main conclusions are as follows:

- Some implementation contents related to policies and measures to prevent and combat ML/TF have improved compared to the period 2012-2017: (i) To perfect the system of legal documents and comply with FATF's recommendations, the AML

¹¹⁹ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks, 47% of banks surveyed have begun adding features to support international payments via electronic banking services.

¹²⁰ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks, 50% of surveyed banks recorded a growth rate of customers using e-banking services of over 20% per year from 2018 to 2021.

¹²¹ Source: Survey and statistics in the period from 2018 to March 2022 of 54 banks, 70% of banks showed that the scale of electronic banking transaction sales in 2020 and 2021 was 100% larger than the bank's total liabilities, and this scale in 2021 has increased more than 4 times compared to 2018.

¹²² According to surveys at banks, the anonymity of electronic banking products included: the ability to hide the user's true identity; to be used by many people at the same time.

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Law was amended, supplemented and approved by the National Assembly on November 15, 2022; (ii) The Inspection Handbook was issued, which included the content on Inspection of compliance with legal regulations on AML/CFT/CPF; the number of inspections, including inspections on ML/TF increased significantly; (iii) The quality of compliance and awareness of bank staff on AML and reporting of suspicious transactions of banks in the period 2018 - 2022 has improved.

- In addition to the achieved results, there are gaps in priority variables in the banking sector, including: (i) Efficiency of supervisory processes and practices, availability and level of access to information about beneficial owners, availability of reliable identification infrastructure are assessed at a relatively low level; There are some limitations in compliance work such as: Many reporting entities are still confused when implementing AML measures in banking products and services; It is not to ensure that 100% of banks have fully implemented internal regulations, internal audits and annual risk assessments on ML/TF. Some banks have not yet built an automatic system to screen customers and transactions and had STRs submitted to the AMLD... (ii) 05 products/services, including: Retail deposits, wire transfers, current accounts, trade finance and electronic banking are identified as more vulnerable products/services on the basis of transaction scale, transaction behaviors and customer profiles. Therefore, it is necessary to develop a mechanism to ensure the quality of AML compliance of reporting entities; to instruct AML measures in details, to give a guidance on applying AML measures in banking products and services.

CHAPTER 4: MONEY LAUNDERING VULNERABILITY OF THE SECURITIES SECTOR

Similar to other stock markets around the world, Vietnam's stock market also has potential risks related to ML. Based on the guidance from the World Bank, the National Money Laundering Risk Assessment Working Group in the securities sector (comprising 16 members from the State Securities Commission, the Banking Supervisory Agency - State Bank of Vietnam, Stock Exchanges, the Vietnam Securities Business Association, representatives from securities companies, and fund management companies) conducted an ML vulnerability assessment of Vietnam's securities sector. The assessment results indicate that the ML vulnerability of the securities sector is rated as **MEDIUM**.

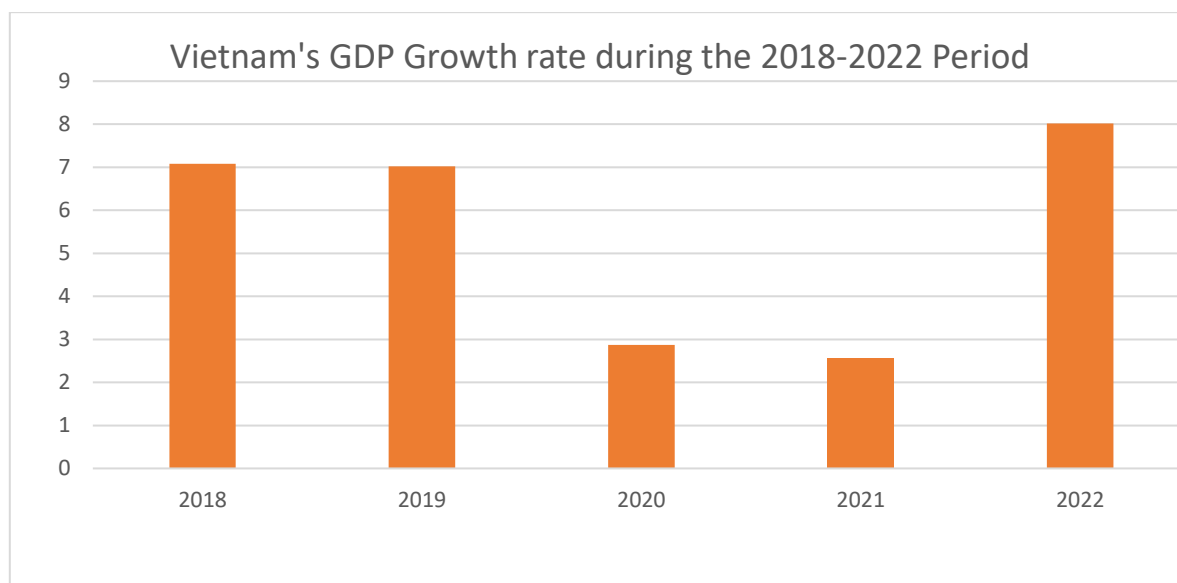
The ML vulnerability assessment of the securities sector was conducted based on survey results and information collected from questionnaires sent to regulatory agencies and 98 securities business organizations (63 securities companies and 35 fund management companies) currently operating, thereby assessing the effectiveness of variables related to anti-money laundering measures. Specifically, the assessment results are as follows:

Variables related to the effectiveness of implementation in the securities sector	Rating
1. Comprehensiveness of AML Legal Framework	High
2. Effectiveness of Supervision/Oversight Activities	High
3. Availability and Enforcement of Administrative Sanctions	High
4. Availability and Enforcement of Criminal Sanctions	High
5. Availability and Effectiveness of Entry Control	High
6. Integrity of Business/Institution Staff	Medium
7. AML Knowledge of Business/Institution Staff	Medium
8. Effectiveness of Compliance Function (Organization)	Low
9. Effectiveness of Suspicious Activity Monitoring and Reporting	Medium
10. Availability and Access to Beneficial Ownership Information	Medium
11. Availability of a Reliable Identification Infrastructure	Medium

Vietnam's macro-economy has generally remained stable and continued to grow during the 2018-2022 period. The GDP growth rate of Vietnam was 7.08% and 7.02% in 2018 and 2019, respectively. In 2020, due to the impact of the COVID-19 pandemic and social distancing measures to combat the virus, business operations were affected; the GDP growth rate decreased to 2.87% in 2020 and 2.56% in 2021.

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However, after the pandemic was controlled and business activities returned to normal, Vietnam's GDP growth rate rebounded in 2022, reaching 8.02%, the highest growth rate in the 2011-2022 period. The average inflation rate in 2022 increased by 3.15% compared to the same period. These macroeconomic conditions have significantly impacted the stock market situation.



Source: General Statistics Office

The Vietnam's stock market began operations in July 2000 and has become an important channel for capital mobilization in the economy. The capital raised through the stock market during the period from 2011 to 2020 reached nearly 2.9 trillion VND, nearly 10 times higher than the 2000-2010 period, contributing an average of 19.5% of total social investment capital and helping to restructure Vietnam's financial system toward a more balanced and sustainable model.

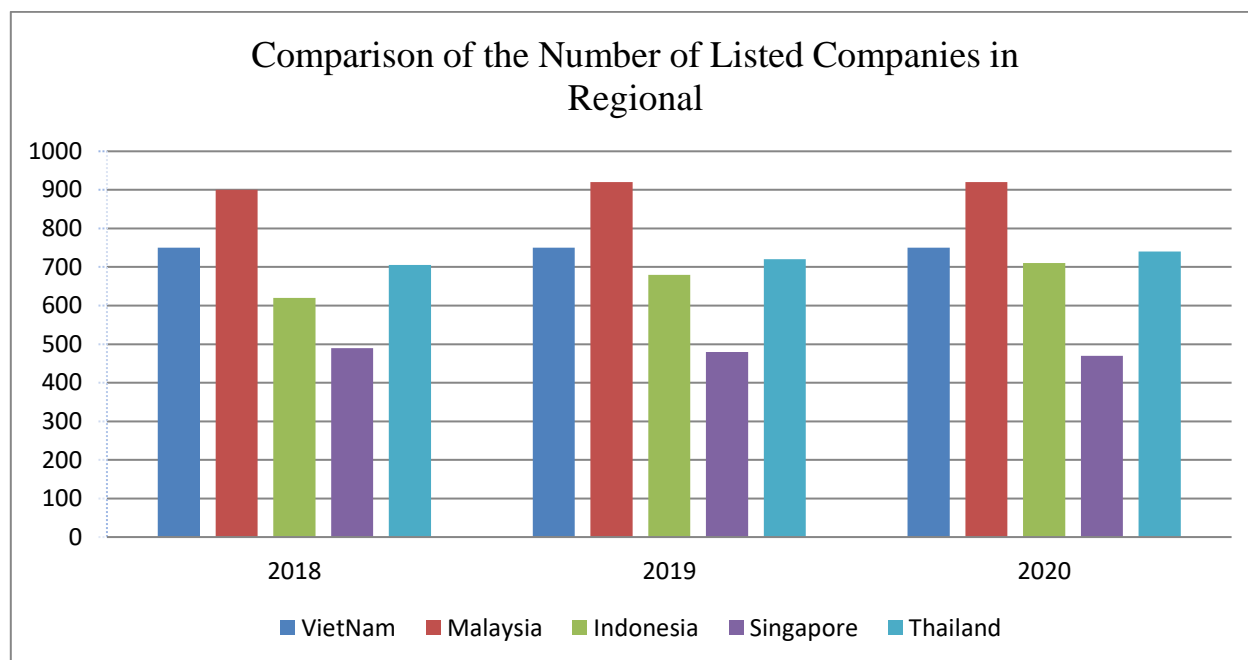
The Vietnam's stock market is increasingly diverse in terms of traded products. The stock market currently has more than 1,500 listed and registered stocks. By the end of 2022, there were 757 listed stocks and fund certificates on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX), and 856 stocks are registered for trading on the Unlisted Public Company Market (UPCoM) with a total listed and registered trading value of VND 1,983 trillion, equivalent to 23.4% of GDP. The market capitalization of the three exchanges - HOSE, HNX, and UPCoM - on December 30, 2022, reached 5,227 trillion VND, equivalent to 61.6% of GDP in 2021. Additionally, by the end of 2022, the market had 450 listed bond codes with a listed value of over 1,743 trillion VND, equivalent to 20.6% of GDP. The derivative stock market, which started in 2017, offers three products: VN30 index futures, 5-year government bond futures, and 10-year government bond futures.

The number of investor accounts has also continually increased, reflecting the strong appeal of the Vietnam's stock market to both domestic and international

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investors. From 3,000 accounts when the market first began in 2000, by the end of 2022, the market had nearly 6.9 million accounts, being more than 3.5 times the number at the end of 2017. Currently, there are 83 securities companies and 44 fund management companies operating in the Vietnam's stock market, with the total value of assets managed by fund management companies reaching approximately 550 trillion VND by the end of 2022. The total number of licensed investment funds is now 96 (including 51 open-ended funds, 11 ETFs, 31 member funds, 2 closed-end funds, and 1 real estate fund), with a total net asset value of over 69 trillion VND.

The number of listed stocks in regional markets over the years is shown in the following figure:



The Vietnam's stock market is a frontier market undergoing a transition to emerging market status, which has attracted significant interest from foreign investors. As of December 20, 2022, the portfolio value of foreign investors reached 41.9 billion USD, a 23.7% decrease compared to the end of 2021 (54.9 billion USD). This decline is primarily due to the VN-Index dropping by 31.7% from 1,498 points (December 31, 2021) to 1,023.13 points (December 20, 2022). Investment activity by foreign investors has also increased. By the end of December 2022, the market had 44,002 trading codes for foreign investors, increasing by 87.2% compared to the end of 2017. However, as the market size grows, the participation of various foreign organizations and individual investors also poses increased risks related to money laundering in the securities sector.

I. Assessment of the Effectiveness of Input Variables related to AML measure implementation

1. AML Policies and Regulations

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The legal framework for AML in the securities sector has been relatively comprehensive, providing a legal basis for securities companies and fund management companies to implement AML measures. At the same time, it serves as a basis for state regulatory agencies such as the Banking Supervisory Agency and the State Securities Commission to perform their functions of managing and supervising AML in the securities sector. The legal documents are continuously updated and improved to be in line with practical AML requirements and align with FATF standards. Currently, the legal system includes both administrative and criminal penalties for AML violations.

Regarding AML regulations in the securities sector:

+ The 2012 AML Law and its guiding documents require reporting entities (securities companies, fund management companies) to: establish internal AML regulations; assign AML compliance personnel or department and organize AML training; identify customers and beneficial owners; update and verify customer identification information; classify customers by risk level and apply enhanced due diligence as required by law; apply enhanced due diligence for foreign customers who are politically exposed persons; report large transactions, suspicious transactions, electronic fund transfers, and money laundering activities related to terrorism financing; maintain records and reports; provide information to authorities; and ensure the confidentiality of information and reports. Most of these regulations meet international standards.

+ In the securities sector, regulations on the activities of securities companies (Circular 121/2020/TT-BTC dated December 31, 2020) and guidelines for fund management companies (Circular 99/2020/TT-BTC dated November 16, 2020) include responsibilities for securities companies and fund management companies in complying with AML regulations.

Regarding administrative sanctions for AML violations in the securities sector: To address practical AML requirements in the securities sector, the government has issued Decree 156/2020/ND-CP dated December 31, 2020, which stipulates administrative penalties for violations in the securities sector and securities market (replacing Decree 108/2013/ND-CP dated September 23, 2013 which was amended by Decree 145/2016/ND-CP dated November 1, 2016). This decree reviews and amends regulations on administrative penalties for violations of AML regulations in the securities sector, and supplements regulations on administrative penalties for violations of CFT regulations in the securities sector. According to Decree 156/2020/ND-CP, administrative fines for AML violations by securities companies and fund management companies range from 20 million VND to 250 million VND (approximately 880 USD to 11,000 USD). Additionally, violators may face supplementary penalties such as suspension of securities business activities for a period of 1 to 3 months.

Regarding barriers to preventing money launderers from entry: The securities business is a conditional business sector with detailed and stringent entry conditions as stipulated in the 2019 Securities Law and Government Decree No. 155/2020/NĐ-CP dated December 31, 2020, detailing the implementation of several provisions of the Securities Law (Decree No. 155/2020/NĐ-CP), ensuring the prevention of individuals entering the industry with the intent of money laundering. In addition, Vietnam's Civil and Economic laws have established stringent regulations in the licensing process to prevent professional money launderers from infiltrating the ranks of specialized business operators.

Regarding AML Commitment to International Organizations in the Securities Sector: Currently, the State Securities Commission (SSC) is a member of the International Organization of Securities Commissions (IOSCO). As a result, the SSC has provided input to develop legal regulations on AML in the securities sector in accordance with the commitments outlined in the Multilateral Memorandum of Understanding (MMOU) on consultation, cooperation, and exchange of information among member countries. Furthermore, the SSC has also made efforts to comply with the 40 Recommendations of the Financial Action Task Force (FATF).

2. Quality of AML Operations in the Securities Sector

In recent times, along with the improvement of the legal framework, securities companies and fund management companies have made significant progress in their AML efforts. These companies have increasingly focused on customer and beneficial owner due diligence. Securities businesses have evaluated the quality of AML operations in the sector based on factors such as: customer identification framework; management and supervision of AML activities; and staff's compliance.

2.1. Customer Identification Framework

a. Infrastructure for Identifying Customers and Beneficial Owners

- For Securities Companies: To conduct securities transactions for customers, securities companies must open accounts for each customer based on an account opening request and a securities account opening contract with the customer. The account opening request must include the following minimum information: name, date of birth, gender, nationality, business registration number/ID card number/passport, place of employment, contact address, contact phone number, and bank account details. Additionally, the account opening request must also ask customers to provide information about their investment knowledge, such as investment goals, risk tolerance, investment experience and knowledge; information about public companies where the customer holds management positions, major shareholder status, and information about related beneficial owners.

- For Fund Management Companies and Fund Certificate Distribution Agents: They are responsible for implementing the procedures and processes for customer

identification, verification, and updating of customer information in accordance with securities law, anti-money laundering law, and other relevant legal regulations.

However, currently, securities companies and fund management companies face difficulties in identifying and verifying the accuracy of beneficial ownership information for customers who are beneficial owners of organizations that are not public companies or for customers who are organizations that are not public companies. are beneficial owners of non-public companies or for customers who are non-public companies.

92.19% of surveyed securities companies reported that they have regulations for storing customer records (including account opening requests and account opening contracts) and report on AML. Of these, 40.63% of companies store records for over 10 years, 37.5% store for 10 years, and 14.06% store for 5 years.

91.18% of surveyed fund management companies reported that they have regulations for storing customer records (including account opening requests and account opening contracts) and report on AML. Of these, 11.76% of companies store records for over 10 years, 61.76% store for 10 years, and 11.76% store for 5 years.

In addition, based on survey results, 100% of securities businesses, apart from managing customer information, comply with the obligation to provide customer information to the Vietnam Securities Depository, Hanoi Stock Exchange, Ho Chi Minh City Stock Exchange, and other relevant state authorities. Customer information data is one of the bases for the Stock Exchange to monitor transactions with suspicious signs.

b. Main characteristics of different types of customers

Customers in the securities sector can be classified based on various criteria such as: individual customers /institutional customers, domestic customers /foreign customers, classification based on capital size, classification based on risk tolerance, etc. Different customer types will have different levels of money laundering risk.

Based on the collected information, securities businesses classify customers by risk level and identify beneficial owners of customers. For foreign customers with nationality or company headquarters in high-risk money laundering countries, securities businesses may classify them as high-risk money laundering customers if they have access to and share information from Vietnamese regulatory authorities.

Regarding capital size, customers/institutions with large investment capital are generally at higher risk of money laundering compared to customers/institutions with smaller capital sizes.

Regarding portfolio structure, individual/institutional clients investing in one or a few low-liquidity, less popular stocks are typically at higher risk of money laundering compared to portfolios invested in leading and widely followed stocks (blue chips). Currently, the Vietnamese stock market is gradually classifying stocks

based on listing quality. For listed stocks, the listing standards at the Ho Chi Minh City Stock Exchange are higher than those at the Hanoi Stock Exchange. Additionally, each exchange selects 30 stocks, representing the top companies in market capitalization and liquidity, meeting certain criteria to build the VN30 and HNX30 indices. For stocks registered on UPCOM, the Hanoi Stock Exchange has also established the UPCOM Premium board and the Investor Warning board.

c. Availability of Independent Information Sources

To identify suspicious transactions in the securities sector, regulatory authorities need information from various sources, such as: transaction statements, documentation for deposits, withdrawals, and money transfers in customer securities trading accounts at commercial banks, tax compliance information, and access to email records, call histories, customer order IP addresses, etc.

Currently, the State Securities Commission (SSC) has signed memorandums of understanding with the Banking Supervisory Agency (State Bank of Vietnam) and the General Department of Taxation. These agreements provide a foundation for regulatory agencies to share information and improve the effectiveness of monitoring and addressing suspicious transactions in the securities sector.

d. Customer Identification for Cash Transactions

At present, the IT systems of stock exchanges and securities businesses can identify customers for securities transactions; however, they face challenges in identifying customers for cash transactions. According to regulations, securities companies and fund management companies are prohibited from conducting cash transactions with customers. Customers of securities companies and fund management companies must perform deposits, withdrawals, and transfers through commercial banks. Therefore, securities companies and fund management companies encounter difficulties in identifying suspicious transactions because they cannot verify whether the person performing the deposit, withdrawal, or transfer is the actual account holder.

The main products on the current securities market include: stocks, bonds, fund certificates, and derivative securities (index futures contracts). Trading of these products is conducted through securities companies. When customers place purchase orders, the securities company can only check whether the customer account has sufficient funds and then execute the order for the customer. The securities company cannot verify the origin of the funds in the customer's account used for purchasing securities, which may pose risks as money launderers could use illicit funds to invest in securities. Additionally, after these individuals sell securities, the securities company cannot control whether the withdrawn funds are transferred to high-risk money laundering entities.

The SSC has signed MOUs with the Banking Supervisory Agency to collaborate and exchange information. However, during the document verification

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process, in some cases, the SSC has not been able to access the flow of investor funds from commercial banks, leading to difficulties and delays in clarifying transactions with suspicious signs.

e. Transparency of Securities Business Organizations

According to regulations, securities business organizations must establish internal control, internal audit, and risk management departments, and AML compliance staff to oversee and assess the company's overall compliance and adherence to AML regulations.

Based on survey results for securities companies:

- 92% of securities companies have established internal compliance processes corresponding to risk levels;
- 82.81% of securities companies have processes and regulations for storing records of incidents or violations caused by employees (for operational risk management purposes);
- 90% of securities companies have sanctions in place for employees violating AML compliance policies;
- 100% of the internal control/internal audit departments of securities companies conduct reviews, inspections, and assessments of AML activities;
- 92.19% of securities companies have appointed a leader responsible for AML compliance.

For fund management companies:

- 90.91% of fund management companies have established internal compliance processes corresponding to risk levels;
- 82.35% of fund management companies have processes and regulations for storing records of incidents or violations caused by employees (for operational risk management purposes);
- 90% of fund management companies have sanctions in place for employees violating AML compliance policies;
- 100% of the internal control/internal audit departments of fund management companies conduct reviews, inspections, and assessments of AML activities;
- 84.85% of fund management companies have appointed a leader responsible for AML compliance.

Additionally, based on regular inspections and audits, it has been observed that securities business organizations generally have established AML departments, appointed leaders responsible for AML compliance, assigned staff for AML duties, and issued internal AML procedures and regulations. The survey and inspection results indicate a high level of compliance with AML regulations among securities

companies. However, in practice, many small securities organizations still do not pay sufficient attention to AML efforts, and their AML activities may often be more formal than substantive.

2.2. Management and Supervision of AML Activities

Currently, the management and supervision of AML activities in the securities sector can be divided into three levels: government regulatory agencies, securities business organizations, and staff responsible for AML activities. The Banking Supervisory Authority (AMLĐ) and the State Securities Commission (SSC) are responsible for monitoring securities companies' compliance with AML regulations. Securities business organizations oversee the compliance of their staff responsible for AML activities. Staff being responsible for AML within securities business organizations directly supervise transactions and ensure compliance with AML regulations.

According to regulations, securities business organizations must assign a member of the Board of Directors or a designated representative to oversee, direct, and ensure compliance with AML regulations within the organization. Depending on their scale, securities businesses must establish a dedicated unit (team, department, or division) or appoint a unit at their headquarters responsible for anti-money laundering (AML). According to the survey results, 74.5% of securities businesses designate more than one person to oversee AML compliance.

According to legal regulations, securities businesses must perform Suspicious Transaction Reports (STRs) and retain customer records (including both customer information and transaction details). According to the survey results, 92.19% of the surveyed securities companies reported that their company has regulations for retaining customer records and conducting anti-money laundering reports; 40.63% of the companies indicated that they retain records for more than 10 years, 37.5% retain for 10 years, and 14.06% retain for 5 years. Additionally, 91.18% of the surveyed fund management companies reported that their company has regulations for retaining customer records (including account opening applications and account opening contracts) and conducts anti-money laundering reports; 11.76% of the companies indicated that they retain records for more than 10 years, 61.76% retain for 10 years, and 11.76% retain for 5 years.

Currently, most securities businesses have information systems for retaining customer information, which enable and support the monitoring of customer transactions based on customer data. Securities companies have issued regulations related to reviewing and reporting suspicious transactions; however, the criteria for assessing suspicious transactions often have many qualitative aspects.

The regulatory agency has conducted investigations for 7 cases showing signs of money laundering in the securities sector. To date, 6 out of the 7 cases have been

verified. Securities companies have submitted 2 Suspicious Transaction Reports (STRs) related to securities trading to the regulatory authorities.

Additionally, each year, regulatory authorities conduct regular inspections and audits of securities companies and fund management companies. The results indicate that, generally, securities companies and fund management companies comply with regulations on STRs and record-keeping.

2.3. Compliance of Employees Working in Securities Business Organizations

a. Quality of AML Supervision

100% of securities business organizations and 97.06% of fund management companies surveyed have issued manuals, procedures, policies, and regulations related to AML. The issuance of these documents helps employees within securities business organizations understand the objectives, tasks, and responsibilities related to AML.

The survey also indicates that 70.31% of securities companies believe their employees have a high awareness of their obligations and compliance procedures related to AML, while 25% of securities companies self-assessed as Medium for their staff's awareness of AML.

75.47% of fund management companies believe their staff have a high awareness of their obligations and compliance procedures related to AML, with 23.53% self-assessing as medium.

Additionally, all surveyed securities business organizations reported that their employees understand the legal consequences of violating AML regulations.

Based on the survey results, the awareness of AML obligations among securities business organizations and their employees is relatively high. However, in practice, some smaller securities business organizations still lack a full understanding of their role and responsibilities in complying with AML regulations.

b. AML knowledge of Staff

84.38% of the surveyed securities companies reported that they have conducted at least one on-site training program on AML. The main participants in AML training are leaders (accounting for 57%), while staff make up 43%. Additionally, 83.33% of the surveyed fund management companies reported that they have organized at least one on-site training program on AML.

95.31% of the surveyed securities companies reported that they provide training for AML compliance personnel on domestic and cross-border money laundering systems and models, including models and systems related to the abuse of companies, products, and the exploitation of employees' skills and expertise.

61.76% of the surveyed fund management companies reported that they provide training for AML compliance personnel on domestic and cross-border money laundering systems and models, including models and systems related to the abuse of companies, products, and the exploitation of staff's skills and expertise.

In addition to securities businesses being required to organize internal training for dedicated or partially dedicated AML staff, the State Securities Commission (SSC) has also collaborated with the SBV to organize several AML training courses in the securities sector. However, there is a need to increase the number of such training courses to adequately meet the needs of securities businesses.

c. Integrity of Staff of Securities Business Organizations

The survey results show that 100% of employees at securities companies and fund management companies have not violated the principles of integrity regarding AML. From January 2018 to June 2022, the State Securities Commission (SSC) did not impose any administrative penalties on employees of securities businesses. However, there were 4 criminal cases related to employees of securities businesses.

To enhance employee integrity, securities businesses need to establish appropriate mechanisms to protect employees after they file Suspicious Transaction Reports (STRs). The survey shows that 85.94% of securities companies and 77.27% of fund management companies have established mechanisms to maintain employee confidentiality in cases where they file STRs or other related transactions.

d. Availability and Enforcement of Sanctions for Violations of AML Obligations in Securities Business Organizations

The legal framework for penalizing violations of AML obligations in the securities sector is relatively well-established. The government has issued Decree No. 156/2020/ND-CP dated December 31, 2020, regarding administrative penalties in the securities and securities market sector, and Decree No. 12/2021/ND-CP dated December 30, 2021, which amends and supplements some provisions of Decree No. 156/2020/ND-CP. According to Decree 156/2020/ND-CP, the administrative fines for violating AML/CTF regulations by securities companies and fund management companies range from VND 20 million to VND 250 million (approximately USD 880 to USD 11,000). Additionally, violators may also face supplementary sanctions such as suspension of business activities or securities services for a period of 1 to 3 months.

For criminal violations, Article 324 of the 2015 Penal Code also provides for penalties for money laundering, with a maximum prison sentence of up to 15 years.

From 2020 to 2022, a total of 35 cases of securities market manipulation were handled by the competent authorities. The State Securities Commission imposed administrative fines on 32 individuals and 1 organization, with the total fines and illegal gains recovery amounting to VND 22.09 billion (approximately USD 960,000). There were 5 cases related to market manipulation that were prosecuted
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by the police investigation agency, 4 of which have been adjudicated by the court. In 2022, the State Securities Commission, in collaboration with the police, initiated 2 cases: market manipulation involving FLC shares and market manipulation involving the Louis stock group. Among these, the case involving the Louis stock group has been adjudicated by the court.

II. Vulnerability of Certain Products in the Securities Market

The Vietnamese stock market is a frontier market currently transitioning to emerging market status, with strong growth rates, high profit potential, and improving market liquidity. Many state-owned enterprises are in the process of equitization, divestment, and listing on stock exchanges. Currently, the main products on the stock market include stocks (listed/registered for trading/OTC), bonds (government bonds, corporate bonds), mutual fund certificates, and derivatives.

Among these products, stocks are the most vulnerable to abuse by criminal entities for money laundering purposes. The vulnerability in stock trading can be manifested in the following situations:

- A group of investors opens multiple accounts at various securities companies. These accounts engage in intra-group transactions, with stocks only circulating between accounts without actual transfer of ownership. Subsequently, some accounts sell the securities and withdraw the funds. This behavior, in some cases, resembles market manipulation. Stock market manipulation is a criminal offense defined in the 2010 Penal Code and the 2015 Penal Code (effective from January 1, 2018). An individual can simultaneously engage in price manipulation and money laundering through the stock market. These individuals use one or more of their own or others' trading accounts, or collude with each other to continuously buy and sell securities to create artificial supply and demand, enticing others to trade securities. They engage in actions to drive up stock prices and then sell them to other investors to collect funds. The State Securities Commission has strengthened its inspection and enforcement activities and has taken stringent actions against these violations. From 2018 to June 30, 2022, the State Securities Commission imposed penalties on 29 individuals and 1 organization for stock manipulation, with total fines amounting to over VND 19.889 billion (approximately USD 800,000). Additionally, the State Securities Commission, in collaboration with relevant authorities, has initiated and prosecuted 4 cases for securities price manipulation.

- Another product with potential risks for money laundering is over-the-counter (OTC) stock transactions. Individuals and organizations buy and sell directly with each other through the issuing organization, bypassing securities companies with brokerage functions and not using the listed/registered market. OTC stock prices are determined based on agreements between buyers and sellers, without a basis for establishing a reasonable price. Transactions may involve the use of cash. Therefore, the OTC market can be exploited by individuals for money laundering through the

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buying and selling of unlisted/registered stocks. Recently, the State Securities Commission has intensified supervision, inspection, and enforcement against public companies that either fail to or delay listing their stocks on the UPCoM market or other exchanges. This effort aims to narrow the scope of unlisted/registered stock transactions, enhance transparency in stock trading for companies, and reduce the risk of money laundering transactions through this market.

III. Assessment Results

To assess the national risk of money laundering in the securities sector, based on the World Bank's guidance documents, the assessment team developed a survey questionnaire sent to the regulatory authority and 98 securities firms (63 securities companies and 35 fund management companies) currently operating.

Based on the input data collected from regulatory authorities and securities companies, the assessment team conducted an analysis and tested the World Bank's model using a Weighted Average approach. The assessment results indicate that the ML vulnerability of the securities companies is at a Medium level.

To reduce ML vulnerability of the securities sector, it is necessary to enhance training, awareness, and dissemination of AML/CFT knowledge for staff in the securities companies in general, and especially for staff handling tasks related to AML activities at securities companies; enhance inspection, supervision, and impose penalties for securities companies, particularly by applying risk-based inspections related to money laundering; conduct strict inspections, examinations and impose penalties for violations that pose a risk of being predicate offenses for money laundering, such as market manipulation; encourage public companies to register for trading to limit cash transactions in equity transfers; enhance the quality of customer information identification, focusing on information about beneficial owners, and implement mechanisms for cross-checking information from reliable third-party sources.

CHAPTER 5: MONEY LAUNDERING VULNERABILITY OF THE INSURANCE SECTOR

1. Overview of the Results of the National Risk Assessment on AML in the Insurance Sector

As part of the national risk assessment on Anti-Money Laundering (AML) conducted on March 22, 2022, the World Bank (WB) and the State Bank of Vietnam held a training session to guide agencies and departments in performing national risk assessments on AML, including within the insurance business sector. Based on documents and instructions from the WB and the State Bank of Vietnam, the Department of Insurance Management and Supervision - Ministry of Finance led the National Risk Working Group on AML in the Insurance Business Sector (Group 5). This group was responsible for data collection, research, analysis, and evaluation of information related to money laundering prevention.

On September 19, 2022, members of Group 5 and representatives of the State Bank entered data into software provided by the WB to initially assess the level of vulnerability in AML within the insurance sector. The members conducted tests for two scenarios using the same parameters, with the only difference being the "Open Door" method and the "Weighted"¹²³ method. The specific results are as follows:

- **Open Door Method:** This method calculates the level of vulnerability of the entire insurance industry based on the products with the highest level of vulnerability. The vulnerability level of the insurance industry was assessed at 0.23 (MEDIUM LOW).
- **Weighted Method:** This method calculates the level of vulnerability of the entire insurance industry based on the weighted average of all evaluated products. The insurance industry's vulnerability level was assessed at 0.08 (LOW).

Based on the results of the above scenarios, Group 5 members decided to adopt the results from the weighted method, which assesses the level of vulnerability of the insurance industry as low. This decision was made because the products with the highest level of vulnerability in the life insurance sector represent a very low proportion of the product portfolio, and life insurance enterprises are gradually reducing the business of these products. Furthermore, the weighted method provides a comprehensive assessment that fully reflects the level of industry vulnerability and allows for the reasonable allocation of risk prevention resources by life insurance enterprises. The detailed analysis results are summarized as follows:

¹²³ Based on the 2018 NRA assessment results, the insurance business sector conducted tests on two scenarios with identical parameters, but with different approaches – one using the "Open Door" approach and the other using the "Weight" approach. Both tests produced low-risk results (below 0.6), with only one indicator under the "Weight" approach reaching 0.67, specifically related to insurance products involving investment components and cash payments. The overall level of risk control was also relatively strong (from 0.4 and above).

a) Assessment of General Anti-Money Laundering Controls Variables in the insurance sector

According to World Bank (WB) instructions, AML/CTF control variables (such as regulatory document systems, licensing, sanctions, employee understanding, compliance work, infrastructure, and information technology systems) are assessed across the entire insurance industry. Certain control variables are shared with the assessment results from Category 2 - National Vulnerability Assessment or Category 3 - Risk Assessment Group in the banking sector. These include: (i) Assessing the availability of independent information sources, (ii) Assessing national trusted identification infrastructure, and (iii) Assessing the availability and access to information about beneficial owners.

The assessment results using the WB tool are as follows:

No.	General Anti-Money Laundering Controls Variables	Assessment
1	Comprehensiveness of AML Legal Framework	Close to excellent
2	Effectiveness of Supervision Procedure and Practices	Close to excellent
3	Availability and Enforcement of Administrative Sanctions	Close to excellent
4	Availability and Effectiveness of Entry controls	Close to excellent
5	Integrity of Staff in Insurance Companies	Close to excellent
6	AML knowledge of staff In Insurance Companies	Close to excellent
7	Effectiveness of Compliance Function (Organization)	Close to excellent
8	Effectiveness of Suspicious Activity Monitoring and Reporting	Close to excellent
9	Level of Market Pressure to Meet AML Standards	Close to excellent
10	Availability and Access to Beneficial Ownership Infor	High
11	Availability of a Reliable Identification Infrastructure	Close to excellent
12	Availability of Independent Information Sources	Close to excellent

b) Risk Assessment of Products in the Insurance Sector

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According to WB instructions, the specific AML control variables are evaluated by product groups within the life insurance sector. The results are as follows:

No	Product to access	Assessment rating	Assessment rating
	Individual products		
1	Single-Premium Life Insurance Products	Close to nothing 0.15	Close to nothing 0.09
2	Pure protection Life Insurance plans (excluding single-premium)	Low 0.33	Very low 0.2
3	Life Insurance plans with Cash Value and Investment/Savings Components (excluding single-premiums)	Medium low 0.44	Low 0.27
4	Other insurance plans with Cash Value and Investment/Savings Components (excluding single-premiums)	Does not Exist 0.00	Does not Exist 0.00
5	Pension product	Close to nothing 0.03	Close to nothing 0.03
	Group Insurance Products		
6	Single-Premium Life Insurance Products	Close to nothing 0.1	Close to nothing 0.1
7	Pure protection Life Insurance plans (excluding single-premium)	Close to nothing 0.12	Close to nothing 0.11
8	Life Insurance plans with Cash Value and Investment/Savings Components (excluding single-premiums)	Close to nothing 0.11	Close to nothing 0.1
9	Other insurance plans with Cash Value and Investment/Savings	Close to nothing 0.11	Close to nothing 0.11

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	Components (excluding single-premiums)		
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c) Overview of the Vietnam Insurance Market

Pursuant to Decision No. 1799/QD-BTC dated September 11, 2017, and Decision No. 98/QD-BTC dated January 21, 2020, which regulate the functions, tasks, powers, and organizational structure of the Department of Insurance Management and Supervision, this department is tasked with overseeing and managing Anti-Money Laundering (AML) measures in the insurance sector.

Implementing the Vietnam Insurance Market Development Strategy, the insurance market has improved and grown in terms of scale, the number of enterprises, and the quality of products and services. The insurance market has made a positive contribution to socio-economic development, such as: supporting the implementation of policies for macroeconomic stability, controlling inflation, and increasing savings for the economy; complementing social security policies by enabling individuals to arrange their own financial protection and receive compensation from insurance in the event of accidents or illness without relying on financial support from the state budget; providing financial protection for investors, allowing them to focus on production and business without needing to resort to credit or other financial reserves; promoting international economic integration and cooperation; and contributing to the implementation of government-targeted programs and urgent tasks. Specifically:

- **Legal Framework:** The legal system governing the insurance sector continues to evolve, aligning with market needs and international commitments. From 2018 to June 2022, 24 regulatory documents were issued, including 2 laws, 10 government decrees, 4 prime ministerial decisions, and 8 circulars. These documents address legal issues comprehensively, creating a robust regulatory environment for the insurance market.
- **Number of Insurance Enterprises:** By the end of 2022, there were 78 insurance enterprises, including 31 non-life insurers, 19 life insurers, 2 reinsurance companies, and 26 insurance brokerage firms. Additionally, there was 1 branch of a foreign non-life insurer and 19 representative offices of foreign insurance enterprises and insurance brokerages in Vietnam.
- **Total Assets:** Estimated to reach VND 811,312 billion by the end of 2022, marking a 14.51% increase from 2021. This includes VND 117,229 billion from non-life insurers and VND 694,083 billion from life insurers. In 2018, total assets were VND 395,358 billion. The average annual growth rate from 2018 to 2022 is 21.04%.
- **Investment Back into the Economy:** Expected to reach VND 656,423 billion by the end of 2022, with non-life insurers contributing VND 63,612 billion

and life insurers VND 592,811 billion. In 2018, investments were VND 324,250 billion. The average annual growth rate from 2018 to 2021 is 20.49%.

- **Professional Reserves:** Estimated to total VND 526,559 billion by the end of 2022, including VND 32,901 billion from non-life insurers and VND 493,658 billion from life insurers. In 2021, reserves reached VND 241,091 billion. The average annual growth rate from 2018 to 2022 is 23.68%.
- **Insurance Premium Revenue:** Expected to reach VND 251,306 billion by the end of 2022, with VND 68,201 billion from non-life insurers and VND 183,105 billion from life insurers. In 2018, premium revenue was VND 133,132 billion. The average annual growth rate from 2018 to 2022 is 17.75%.
- **Total Equity:** Estimated to be VND 162,814 billion by the end of 2022, including VND 37,392 billion from non-life insurers and VND 125,422 billion from life insurers. In 2018, equity was VND 81,820 billion. The average annual growth rate from 2018 to 2021 is 19.8%.
- **Insurance Compensation Payments:** Estimated to reach VND 64,018 billion by the end of 2022, with non-life insurers paying VND 23,418 billion and life insurers VND 40,600 billion. In 2018, compensation payments totaled VND 39,262 billion. The average annual growth rate from 2018 to 2021 is 12.61%.
- **Insurance Products:** The market offers around 2,884 insurance products, catering to diverse needs. Products with high social security value, such as agricultural insurance, micro insurance, and pension insurance, have shown notable progress, met various customer needs and supporting socio-economic development and social security goals.
- **Distribution Channels:** The quality and professionalism of agent distribution channels have improved. Insurance enterprises have enhanced agent recruitment, training, and certification processes. Additionally, new distribution channels such as bank sales, telephone sales, postal systems, and online platforms have been developed.
- **Management and Supervision:** Management and supervision practices have been strengthened and standardized according to international standards. Vietnam's insurance regulatory agencies actively participate in regional and international forums, sharing information on insurance sector management and promoting Vietnam's investment environment.

2. Money Laundering Vulnerability in the Insurance Sector

In accordance with legal regulations on Anti-Money Laundering (AML), the Department of Insurance Management and Supervision has undertaken the task of managing and supervising AML efforts in the insurance sector. This includes regularly monitoring, guiding, and urging insurance enterprises to comply with AML regulations. The analysis is structured as follows:

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2.1. The level of vulnerability to money laundering in the insurance sector

2.1.1. Comprehensiveness of the AML Legal Framework (Rating: 0.9 – Close to Excellent)

Recently, the Department of Insurance Management and Supervision has worked with relevant units to address gaps in the legal framework related to AML in the insurance sector, as identified in the NRA 2018 report. The legal framework for AML in the insurance sector is now substantially aligned with FATF standards. Key developments include:

- The Department has proposed amendments to the National Assembly regarding the list of beneficial owners for insurance enterprises and reinsurance companies, in accordance with Clause 6, Article 69, and Point d, Clause 3, Article 75 of the Law on Insurance Business 08/2022/QH15. These changes are designed to meet FATF requirements for identifying beneficial owners involved in insurance business activities to prevent money laundering. The draft Decree, currently under review, specifies that beneficial owners must be determined and managed in accordance with the AML Law.

- On June 28, 2019, the Department issued Decision No. 29/QD-QLBH, which approved the Action Plan for addressing risks related to money laundering and terrorist financing for the period 2019-2020, as per Decision No. 474/QD-TTg dated April 30, 2019.

- On January 16, 2019, the Department issued Decision No. 29/QD-QLBH, which approved the Action Plan for tackling risks related to money laundering, terrorist financing, and weapons of mass destruction for the period 2021-2025, according to Decision No. 941/QD-TTg dated August 5, 2022.

Current legal documents governing AML in the insurance sector include:

- Law No. 07/2012/QH13 on Anti-Money Laundering.
- Decree No. 116/2013/ND-CP dated October 4, 2003, detailing the implementation of certain articles of the Anti-Money Laundering Law.
- Decree No. 87/2019/ND-CP dated November 14, 2019, amending Decree No. 116/2013/ND-CP, which provides guidance on the Anti-Money Laundering Law.
- Decree No. 80/2019/ND-CP dated November 1, 2019, amending and supplementing various articles of Decree No. 73/2016/ND-CP, detailing the implementation of the Law on Insurance Business and related amendments.
- Decree No. 98/2013/ND-CP dated August 28, 2013, regulating penalties for administrative violations in the insurance and lottery sectors, as amended by Decree No. 48/2018/ND-CP dated March 21, 2018. The Department is actively researching amendments to these decrees, including Decree No.

80/2019/ND-CP, with an expected submission to the Government in December 2023.

Additionally:

- Circular No. 20/2019/TT-NHNN dated November 14, 2019, amending Circular No. 35/2013/TT-NHNN, provides guidance on implementing AML regulations issued by the State Bank of Vietnam.
- Circular No. 35/2013/TT-NHNN dated December 31, 2013, from the State Bank, outlines regulations for AML implementation.
- Circular No. 31/2014/TT-NHNN dated November 11, 2014, amends and supplements certain articles of Circular No. 35/2013/TT-NHNN.

2.1.2. Effectiveness of Supervision Procedures and Practices (Rating: 0.9 – Close to Excellent)

The Department of Insurance Management and Supervision consistently prioritizes AML oversight as a critical task. In managing and supervising insurance companies, the leadership of the Department actively participates in the AML Steering Committee and directly oversees the implementation of AML measures within the insurance sector. Within the Department, the Inspection Division is designated as the specialized unit responsible for leading, coordinating, and executing AML activities. This division appoints dedicated staff to handle AML tasks, with full authority and responsibility for monitoring compliance with AML and CTF regulations. These specialists are regularly updated on compliance monitoring and participate in training organized by the AML Department.

Based on this framework, the Department issued Decision No. 02/QD-QLBH on January 16, 2017, which established procedures for specialized inspections, including AML inspections at insurance companies.

In 2019, the Inspection Division proposed an AML and CTF inspection of Aviva Vietnam Life Insurance Co., Ltd., in accordance with Decision No. 1910/QD-BTC dated September 26, 2019, by the Minister of Finance. Subsequent to the NRA 2018 evaluation, the AML and CTF risks in the insurance sector were assessed as low. Of the 19 life insurance companies, 18 are part of large international groups, which must comply with stringent AML regulations in their home countries such as the UK, the US, and Canada, in addition to Vietnamese AML regulations. Given the risk level and compliance status of these insurance companies, AML inspections are integrated with broader inspection activities rather than being conducted as standalone topics.

Additionally, the Department proactively requests insurance companies to adhere to AML regulations, ensuring they establish AML policies and designate staff or departments responsible for AML. The Department also monitors and reminds insurance companies to submit AML-related data to the State Bank of Vietnam

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(SBV) and addresses any challenges faced by insurance companies in implementing AML measures. Specific communications from 2019 to 2022 include:

- Document No. 249/QLBH-TTrBH dated April 4, 2019: Requesting life insurance companies to review and comply with AML and CTF regulations and provide data for the APG's mutual evaluation of Vietnam for the period 2013-2018.
- Document No. 509/QLBH-TTrBH dated June 28, 2019: Regarding the implementation of Decision No. 474/QĐ-TTg dated April 30, 2019, requiring life insurance companies to update AML information and periodically review and address AML/CTF risks while investing in IT systems to support AML/CTF efforts.
- Document No. 875/QLBH-TTrBH dated October 11, 2019: Providing guidance on AML and CTF regulations for life insurance companies.
- Document No. 330/QLBH-TTKT dated December 11, 2019: Regarding the APG 2019 model report for AML and CTF, to be reviewed and applied as per SBV's guidance.
- Document No. 148/QLBH-TTKT dated April 15, 2020: Notifying life insurance companies of the FATF public warning list, following SBV guidelines.
- Document No. 223/QLBH-TTKT dated June 12, 2020: On implementing regulations concerning the proliferation of weapons of mass destruction.
- Document No. 220/QLBH-TTrBH dated May 21, 2021: Requesting life insurance companies to register for AML training needs.
- Document No. 246/QLBH-TTrBH dated March 11, 2022: Requesting life insurance companies to designate representatives for the National Risk Assessment Working Group on AML and CTF.
- Document No. 666/QLBH-TTrBH dated June 15, 2022: On executing the national AML risk assessment plan.

Coordination, Exchange, and Provision of Information on Money Laundering and Terrorist Financing Among Relevant Authorities in Inspection, Supervision, Investigation, Prosecution, Adjudication, and Enforcement:

As of now, the Insurance Management and Supervision Department has conducted one independent inspection related to money laundering/terrorist financing. Annually, when inspecting insurance companies, the department includes anti-money laundering and counter-terrorist financing measures in the inspection plan as required. To date, no violations related to this field have been detected.

Training and Awareness on Anti-Money Laundering (AML):

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The insurance regulatory authority has organized conferences to disseminate legal regulations on anti-money laundering to insurance companies. On June 4, 2019, the Insurance Management and Supervision Department, in collaboration with the State Bank of Vietnam, organized a training conference to enhance compliance awareness on AML and the APG's mutual evaluation process for Vietnam for life insurance companies. Additionally, annually, in its cooperation and training programs, the department works with the Banking Supervision Agency to provide information on training needs in AML/counter-terrorist financing.

Domestic Cooperation on AML and Counter-Terrorist Financing:

- Participation in seminars and meetings organized by the State Bank on AML and CTF.
- Directly or in coordination with the State Bank, providing guidance and training to life insurance companies to facilitate their cooperation with the APG evaluation team during the national mutual evaluation process.
- Regular submission of reports on the implementation of Decision No. 474/QD-TTg of the Prime Minister, concerning the Action Plan to Address Money Laundering and Terrorist Financing Risks for 2019-2020, as required by the State Bank.
- Proactive feedback to the State Bank on draft amendments to the AML Law (through the Department of Banking Finance), including draft decrees amending Decree 116/2013/ND-CP, and other relevant legal documents as needed.
- Close coordination with the Anti-Money Laundering Department (Banking Supervision Agency) to ensure insurance companies comply with AML regulations; urging timely provision of information on large, unusual, or suspicious transactions as requested by the State Bank.
- Collaboration with the Banking Finance Department (Ministry of Finance) and the Anti-Money Laundering Department (Banking Supervision Agency – State Bank) to conduct surveys, assessments, and develop the AML evaluation report for the insurance sector for 2013-2018, which was presented to the Government and issued with Decision No. 474/QD-TTg on April 30, 2019, by the Prime Minister.
- Appointing representatives to the working group for the APG's mutual evaluation of Vietnam under Decision No. 119/QD-NHNN dated January 22, 2018; actively participating in meetings chaired by Deputy Prime Minister Vuong Dinh Hue and other meetings and workshops organized by the State Bank to contribute to assessments and preparations in the insurance sector.

Additionally, the Insurance Management and Supervision Department is actively involved in preparing for the APG's mutual evaluation on AML and CTF for Vietnam, including:

- Researching, preparing, and developing technical compliance (TC) and output effectiveness (IO) reports on AML and CTF in the insurance sector for submission to the State Bank.
- Assigning staff to work directly with the APG pre-evaluation team (August 2019) and the official APG evaluation team (November 2019).
- Coordinating with the Banking Finance Department and the Anti-Money Laundering Department to review draft reports on the APG's mutual evaluation of AML and CTF in Vietnam.
- Coordinating with the Banking Finance Department and the Anti-Money Laundering Department to develop an action plan following the mutual evaluation by the APG and providing feedback on the draft Action Plan to Address Money Laundering and Terrorist Financing Risks for 2021-2025 as requested by the State Bank.
- Collaborating with the Anti-Money Laundering Department and the Banking Supervision Agency to conduct surveys, assessments, and develop a national risk assessment on AML in the insurance sector for 2018-2022.

International Cooperation:

- Continuing to enhance cooperation with foreign insurance regulatory authorities to share information on the insurance market and on AML and CTF.
- On December 17, 2020, the Insurance Management and Supervision Department issued Document No. 942/QLBH-TTKT to appoint staff to participate in the ADB Technical Assistance project on AML and CTF supervision based on risk as required by the State Bank.

2.1.3. Availability and Enforcement of Administrative Sanctions (Rating: 0.9 – Close to Excellent)

The Insurance Management and Supervision Department has submitted to the Ministry, which in turn presented to the Prime Minister, a proposal to issue Decree No. 80/2019/ND-CP dated November 1, 2019, which amends and supplements several provisions of Decree No. 73/2016/ND-CP dated July 1, 2016. This decree specifies the detailed implementation of the Insurance Business Law and the Law amending and supplementing certain provisions of the Insurance Business Law. Additionally, it amends Decree No. 98/2013/ND-CP dated August 28, 2013, on administrative sanctions in the fields of insurance business and lottery business, as well as Decree No. 48/2018/ND-CP dated March 21, 2018, which also amended and supplemented provisions of Decree No. 98/2013/ND-CP on administrative sanctions

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in insurance business and lottery business. Under Decree No. 80/2019/ND-CP, administrative sanctions related to Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) in the life insurance business sector are specified.

Currently, the Insurance Management and Supervision Department is actively researching amendments and supplements to four decrees on administrative sanctions in the insurance business sector, including Decree No. 80/2019/ND-CP, with plans to submit them for government approval by December 2023.

In terms of on-site inspections and compliance monitoring for AML/CTF regulations, insurance companies have generally complied, with no violations of AML laws detected so far.

2.1.4. Availability and Effectiveness of Entry Controls (Rating 0.9 – Close to Excellent)

To establish and operate in Vietnam, insurance companies must meet mandatory requirements (Articles 64, 65, 66, 67 of the 2022 Insurance Business Law). Additionally, changes in shareholders and contributions of 10% or more must be approved (Article 69.1 of the Insurance Law).

Compared to previous regulations, the Insurance Supervisory Authority has proposed to the Ministry and National Assembly amendments to the regulations concerning the list of beneficial owners of INSURANCE COMPANIES and reinsurance companies in licensing applications (Article 69.6 and the amendment of Article 75.3(d) of the 08/2022/QH15 Insurance Business Law) to comply with FATF requirements for beneficial ownership in insurance to prevent money laundering. The Law assigns the government the task of setting criteria for identifying beneficial owners. Clause 6 Article 12, Clause 8 Article 13 of Decree 46/2023/ND-CP dated 01 July 2023 guiding the implementation of Law on Insurance have stipulated on beneficial ownership information.

During the 2018-2022 period, in 2021, the Insurance Supervisory Authority received one application and granted a license for the establishment and operation of Shinhan Life Insurance Vietnam Co., Ltd. The licensing process followed the legal procedures for company licensing.

2.1.5. Integrity of Staff in Insurance Companies (Rating 0.9 – Close to Excellent)

All 19/19 LIFE INSURANCE COMPANIES organize annual AML training sessions (at least one session per year) for staff engaged in AML activities, company employees, and insurance agents. All LIFE INSURANCE COMPANIES have internal AML control procedures or compliance handbooks that address disciplinary measures for compliance violations. Over the past five years, four LIFE INSURANCE COMPANIES (Generali, Manulife, Prudential, MB Ageas, SunLife, and VCLI-Manulife Vietnam) have imposed disciplinary actions on employees for

compliance violations. However, these violations were not directly related to AML issues.

2.1.6. AML Knowledge of Staff in Insurance Companies (Rating 0.9 – Close to Excellent)

Annually, INSURANCE COMPANIES provide AML training programs and materials for employees and insurance agents. Training materials cover comprehensive information on insurance-related AML regulations, legal responsibilities for non-compliance, money laundering methods related to insurance products and services, risk assessment results, and the company's AML risk management policies and procedures. Insurance agents and employees are regularly updated and trained in AML knowledge and skills according to legal requirements and each INSURANCE COMPANY's regulations.

2.1.7. Effectiveness of Compliance Functions (Rating 0.9 – Close to Excellent)

The Vietnamese insurance market currently has 19 LIFE INSURANCE COMPANIES. According to reports, all 19/19 companies have established and issued internal AML management procedures and regularly update them to ensure compliance with legal regulations. Besides AML procedures, these companies have also issued regulations on customer identification and risk assessment in their underwriting and policy issuance processes.

2.1.8. Effectiveness of Compliance Functions (Rating 0.9 – Close to Excellent)

All 19/19 Life Insurance Companies have established dedicated compliance departments and appointed senior management officials specializing in AML/CFT compliance. The list of AML/CFT personnel has been registered and submitted to the State Bank, and changes in personnel are reported to this authority.

Moreover, most Life Insurance Companies are either 100% foreign-owned or joint ventures with foreign entities (such as global insurance groups like Prudential, Dai-ichi, Aviva, Chubb, Generali, and Mirea Assets Prevoir), and are subject to stringent oversight from their parent companies in AML management.

Annually, Insurance Companies submit AML/CFT risk assessment reports and internal audit reports on AML/CFT to the State Bank and the Insurance Supervisory Authority as required by law.

Regularly, Life Insurance Companies also report large and suspicious transactions to the State Bank in accordance with AML/CFT regulations.

2.1.9. Effectiveness in Monitoring and Reporting Suspicious Activities (Rating 0.9 – Close to Excellent)

In insurance, suspicious activities include clients authorizing unrelated parties to receive insurance benefits, frequent large payouts to the same client, and especially, money laundering through life insurance policies. Experts note that life insurance policies can be exploited for money laundering, particularly when premiums are invested, single-premium policies retain cash value, or policies are used as collateral. Additionally, policy transfers and pledges may be exploited. A more serious concern is the potential collusion of insurance agents or companies in staging claims for large sums. Suspicious activities also include deliberate arson, fraudulent claims to recover illegal investments, policy cancellations for refunds, or overpayment of premiums followed by refund requests.

According to the AML Department statistics ¹²⁴ from 2018 to June 2022, 5,171 large transactions and 526 Suspicious Transaction Reports (STRs) from the insurance sector were received, accounting for 6% of total STRs. Most reports related to single-premium policies with large premiums and cancellations within the 21-day free look period. Cases referred to the police mainly involved insurance companies detecting individuals with criminal backgrounds listed on wanted lists or under prosecution, but these contracts remained valid, and premiums were paid by the suspects' relatives. In some cases, suspects had completed their sentences by the time the police investigated, leading to no further action.

From 2018 to June 2022, investigative and prosecutorial authorities did not pursue any money laundering cases related to insurance.

2.1.10. Availability and Access to Beneficial Ownership Information (Rating 0.5 – Average)

According to the State Bank's guidelines, the Insurance Supervisory Authority has utilized results from the National Risk Assessment Group on money laundering in the banking sector. Comprehensive information about the structure, management, control, and beneficial ownership of entities such as corporations and trusts are generally unavailable and difficult to access. Specifically:

- **Regulatory Sources:** There is no independent and authoritative database from regulatory agencies providing information on all legal entities for banks to access and verify beneficial ownership. Business registration documents do not include all beneficial owners, so they are not helpful in identifying ultimate beneficial owners.
- **External Lookup Services:** Some external lookup services are available but are costly and do not fully comply with AML regulations.

2.1.11. Availability of a Reliable Identification Infrastructure (Rating 0.9 – Close to Excellent)

¹²⁴ The information was supplemented by the Anti-Money Laundering Department, State Bank of Vietnam, to ensure the accuracy of the data.

All 19/19 Life Insurance Companies are equipped with modern insurance contract management software. This includes systems or independent information tools for customer identification.

2.1.12. Availability of Independent Information Sources (Rating 0.9 – Close to Excellent)

Insurance companies regularly update their records in line with the lists designated by United Nations Security Council resolutions, blacklists compiled by the Ministry of Public Security as per legal regulations available on the Ministry's official website, and suspicious lists on the State Bank of Vietnam's website. They also keep track of Politically Exposed Persons (PEPs) to facilitate the screening and identification of customers, related parties, and transactions that may present money laundering and terrorism financing risks at all times during transactions. Additionally, life insurance companies review countries and territories that are on the Financial Action Task Force (FATF) blacklist concerning anti-money laundering.

Moreover, for insurance companies with parent corporations based in Europe, the United States, or Canada, they also utilize automated screening systems, such as Oracle Watchlist Screening, to cross-reference with Dow Jones warning lists. If a customer is identified as high-risk (e.g., a politically exposed person or their relatives), the compliance department assesses the risk and reports it to the CEO for review and decision-making. If the insurance is approved, the customer is placed on a monitoring list and their risk is reassessed annually.

Based on these evaluations, the vulnerability level for money laundering in the insurance sector is considered low.

2.2. Vulnerability of Insurance Products

According to the guidelines from the State Bank of Vietnam (SBV) and the World Bank, the state insurance regulatory authority has surveyed life insurance companies regarding nine product categories. The survey results are as follows:

- Life insurance products primarily fall into categories (2) and (3).
- Products in category (1) represent a very small proportion, with only a few companies offering them, and their premium revenue accounts for only about 0.02% to 5%.
- Most life insurance companies do not make payments to third parties; only a few companies do, with these third parties being beneficiaries or heirs of the insurance policies.
- None of the 19 life insurance companies engage in cross-border insurance payments.

- The number of clients with foreign nationality or political influence (domestic or international) is very low among life insurance companies.

The specific results are as follows:

2.2.1. Single-Premium Life Insurance Products (Individual) – Close to nothing

These products account for approximately 6% of total market premium revenue. The use of agents is very low, with revenue through the agent channel representing about 2%. This product category has no investment component, and the proportion of customers paying premiums in cash is relatively low and decreasing, down to 4.73% in 2022 from 16.99% in 2018. Payments to third parties account for only about 0.5%, mainly for medical and health services for insured clients. Therefore, the vulnerability of this product category is classified as close to nothing.

2.2.2. Pure protection life Insurance plans (excluding Single-Premium) – Very Low

These products make up approximately 20% of total market premium revenue. Agent usage is low, with revenue through agents accounting for about 15%. This product category also lacks an investment component, and the proportion of customers paying premiums in cash is low and decreasing, down to 4.33% in 2022 from 18.75% in 2018. Payments to third parties account for about 2%, primarily for medical and health services for insured clients. Therefore, the vulnerability of this product category is classified as very low.

2.2.3. Life Insurance plans with cash value and Investment/Savings Component (excluding Single-Premium) – Low

These products account for approximately 70% of premium revenue among insurance companies. Agent usage is high, with revenue through agents representing about 45%. Although this category includes investment components, they are minimal, and the proportion of customers paying premiums in cash is low and decreasing, down to 7.8% in 2022 from 24.37% in 2018. Payments to third parties account for around 5%, mainly for medical and health services for insured clients. Therefore, the vulnerability of this product category is classified as low.

2.2.4. Other Insurance plans with Cash Value and Investment/Savings Component (excluding Single-Premium) – Does not exist

These products account for about 0.5% of premium revenue. Agent usage is very low, with revenue through agents accounting for about 0.4%. This product category has no investment component, and the proportion of customers paying premiums in cash is nearly nonexistent in 2022 (0%) compared to 0.1% in 2018. No third-party payments are made. Therefore, the vulnerability of this product category is classified as does not exist.

2.2.5. Pension Products (Individual) – Close to nothing

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These products account for about 5% of premium revenue. Agent usage is very low, with revenue through agents representing about 0.02%. This product category has no investment component, and the proportion of customers paying premiums in cash is relatively low and decreasing, down to 4.33% in 2022 from 18.75% in 2018. Payments to third parties are very low, around 0.1%, mainly for medical and health services for insured clients. Therefore, the vulnerability of this product category is classified as close to nothing

2.2.6. Single-Premium Life Insurance Products (Group) – Close to nothing

These products account for about 5.3% of premium revenue. Companies rarely use agents to sell these products. Customers do not pay premiums in cash, and companies do not make payments to third parties. Therefore, the vulnerability of this product category is classified as near zero.

2.2.7. Pure protection life Insurance plans (Group, excluding Single Premium); Life Insurance plans with cash value and Investment/Savings Component (Group, excluding Single-Premium); Other Insurance plans with Cash Value and Investment/Savings Component (Group, excluding Single-Premium) – Close to nothing

Insurance companies have significantly reduced the sale of these products, with revenue accounting for a very small proportion, around 0.01%. Companies rarely use agents for these products, customers do not pay premiums in cash, and no payments are made to third parties. Therefore, the vulnerability of these product categories is classified as low.

3. Conclusion

Based on the assessment results above, the vulnerability to money laundering in the insurance sector is considered low, with insurance products also showing a low vulnerability to money laundering. The highest vulnerability within the sector is linked to life insurance products with cash value and investment/savings components (individual products). However, this product category is under close surveillance by insurance companies, which are continuously strengthening their money laundering risk controls through measures and actions guided by the Anti-Money Laundering Department, the Insurance Supervisory Authority, and relevant implementing regulations.

CHAPTER 6: MONEY LAUNDERING VULNERABILITY OF OTHER FINANCIAL INSTITUTIONS

I. Introduction

1. General assessment

Other financial institutions in Vietnam that are considered and assessed for ML risks include: economic institutions that receive and make payments by foreign currency (including economic institutions that directly receive and make payments by foreign currency¹²⁵ and foreign currency receipt and payment agents for credit institutions); Economic institutions acting as foreign exchange agents for credit institutions (Foreign exchange agents)¹²⁶; non-bank credit institutions; Microfinance institutions; People's credit funds; Local Development Investment Fund, Cooperative Development Support Fund; providers of intermediary payment services; Pawn shops/firms and informal money transfer systems.

The group of other financial institutions is diverse in type and has a wide area of operation throughout the country with a large number of institutions (companies/pawn shops; People's credit funds) or few (local support funds, cooperative support funds, microfinance institutions, payment intermediaries, non-bank credit institutions), however, most of this group's organizational scale and capital size are often very small compared to organizations operating in the finance and banking sector.

In the period from 2018 to June 2022, according to statistics of competent authorities investigating, prosecuting, and adjudicating ML offence, there were no ML cases investigated, prosecuted, or tried related to general financial companies, financial leasing company, Consumer credit financial company, microfinance institutions, People's credit funds, local development investment funds, providers of intermediary payment services, pawn shop/company....

In addition, the AMLD did not receive any STRs related to general financial companies, financial leasing company, Consumer credit financial company, microfinance institutions, People's credit funds, local development investment funds, etc. There were no financial investigation cases showing that

¹²⁵ Economic institutions (not including credit institutions) that receive and make payments by foreign currency are understood as remittance companies. These economic institutions are only allowed to receive foreign currency from abroad and remit it to individuals (through foreign currency accounts opened at licensed credit institutions), and are not allowed to provide services of receiving and transferring foreign currency abroad. (Clause 2, Article 36 of the Foreign Exchange Ordinance and Article 7 of Circular 34/2015/TT-NHNN dated December 31, 2015 guiding the provision of foreign currency receipt and payment services (amended and supplemented).

¹²⁶ Economic institutions permitted foreign exchange agent activities: only operate in the form of using Vietnamese Dong to buy foreign currency in cash from individuals and not sell foreign currency in cash to individuals for Vietnamese Dong (except economic institutions acting as foreign exchange agents located in quarantine areas at international border gates). Economic institutions that operate foreign exchange agents located in quarantine areas at international border gates are allowed to sell foreign currency in cash to individuals holding passports issued by competent foreign agencies (Article 4 Decision 21/2008/QĐ-NHNN dated July 11, 2008 on Regulations on foreign currency exchange agents).

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general financial companies, financial leasing company, Consumer credit financial company, microfinance institutions, People's credit funds, local development investment funds are at risk of being abused for ML.

ML threat rating for other financial institutions group is at MEDIUM.

2. Methodology to determine ML vulnerability to other financial institutions

The assessment method for other financial institutions is based on: (i) Developing a survey to collect information for other financial institutions; (ii) Collect information from ministries, agencies, scientific research works, media information... in the period from 2018 to 2022; (iii) Analyze and evaluate each specific subject to draw main findings and conclusions. On that basis, develop measures to mitigate ML/TF risks that have been identified.

Based on the WB's assessment criteria, the assessment team has developed questionnaires for the assessed institution groups to collect relevant information, and at the same time, consulting experts and assessments of members working in related sectors.

Accordingly, the surveys were made into 3 samples (for subjects who are management agencies, there were 2 samples: one for inspection, supervision agencies and another for licensing agencies; for subjects who were businesses/institutions, there was 1 sample). Some criteria are self-assessed by members based on comments and assessments from their practical tasks.

Questionnaires were sent to management agencies including a number of ministries and agencies such as: Ministry of Finance, Ministry of Information and Communications, People's Committees of provinces and cities and units under the State Bank such as: State Bank branches Provinces, cities, Foreign Exchange Management Department, Payment Department, Banking Supervisory Agency used for surveys related to inspection, supervision and licensing activities of related institutions. At the same time, questionnaires for businesses/institutions were sent directly to businesses/ institutions; especially the questionnaires for the People's credit funds and economic institutions that perform foreign exchange agent activities were sent through SBV branches; the questionnaires for local Development Investment Fund, Cooperative Development Support Fund, Company/Pawn Shop were sent through Provincial People's Committee and compiled into a summary table in the area.

Based on the information collected from the surveys, the assessment team synthesized, scored and entered data into the WB assessment model to produce corresponding output results. Based on these results, combined with the comments of group members based on experience and practice in implementing state management in related sector, the assessment group developed this report.

Time to send the surveys: On June 2022 and data for the period 2018 - until the end of the second quarter of 2022.

Particularly for the informal money transfer system, the information was still limited. The assessment team researched and found the signs, how to carry out this activity and the risk of money laundering to have appropriate recommendations of mitigation measures.

3. The implementation efficiency of each other financial institution

(i) Economic institutions receiving and making payment by foreign currency (including economic institutions directly receiving and making payment by foreign currency and receipt and payment by foreign currency agents for credit institutions)

Based on the results of a survey by economic institutions receiving and making payment by foreign currency (Based on 37 summary surveys received from the State Bank of Vietnam branches in provinces and cities that have licensed foreign exchange operations for economic institutions out of a total of 39 surveys issued and 540 summary surveys received from economic institutions out of a total of 725 surveys issued) and other information collected, the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for institutions receiving and making payment by foreign currency	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,8
Availability and Enforcement of Administrative Sanctions	0,8
Availability and Enforcement of Criminal Sanctions	0,8
Availability and Effectiveness of Entry Control	0,9
Integrity of Business/Institution Staff	0,8
AML Knowledge of Business/Institution Staff	0,8
Effectiveness of Compliance Function (Organization)	0,8
Effectiveness of Suspicious Activity Monitoring and Reporting	0,8
Availability and Access to Beneficial Ownership Information	0,5

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Availability of a Reliable Identification Infrastructure	0,5
Availability of Independent Information Sources	-

(ii) Economic institutions performing foreign exchange agent activities for credit institutions (Foreign exchange agents)

Number of economic institutions performing foreign exchange agent activities for credit institutions in Vietnam: as of the second quarter of 2022, the SBV has licensed 646 economic institutions performing foreign exchange agent activities for credit institutions. The assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for institutions performing foreign exchange agent activities for credit institutions	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,8
Availability and Enforcement of Administrative Sanctions	0,8
Availability and Enforcement of Criminal Sanctions	0,8
Availability and Effectiveness of Entry Control	0,9
Integrity of Business/Institution Staff	0,9
AML Knowledge of Business/Institution Staff	0,8
Effectiveness of Compliance Function (Organization)	0,8
Effectiveness of Suspicious Activity Monitoring and Reporting	0,8
Availability and Access to Beneficial Ownership Information	0,6
Availability of a Reliable Identification Infrastructure	0,5
Availability of Independent Information Sources	-

(iii) Non-bank credit institutions

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Based on survey results of State Bank branches, financial companies, and financial leasing companies nationwide (except for weak companies that are stopping operations for a solution plan) (based on 26 surveys responded out of a total of 31 surveys issued), the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for Non-bank credit institutions	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,8
Effectiveness of Supervision/Oversight Activities	0,6
Availability and Enforcement of Administrative Sanctions	0,9
Availability and Enforcement of Criminal Sanctions	0,9
Availability and Effectiveness of Entry Control	0,9
Integrity of Business/Institution Staff	0,9
AML Knowledge of Business/Institution Staff	0,8
Effectiveness of Compliance Function (Organization)	0,8
Effectiveness of Suspicious Activity Monitoring and Reporting	0,8
Availability and Access to Beneficial Ownership Information	0,8
Availability of a Reliable Identification Infrastructure	0,8
Availability of Independent Information Sources	0,8

(iv) *Microfinance institutions, microfinance programs and projects:* According to results from questionnaires responded by 04 microfinance institutions, 05 microfinance programs and projects which were directly managed by the SBV (Banking Supervisory Agency); from State Bank branches in provinces and cities and data collected from supervision and inspection work, the assessment team built the table of implementation effectiveness assessment variables as follows as follows:

Implementation efficiency variables for Microfinance institutions, microfinance programs and projects	Implementation effectiveness assessment
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Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,9
Availability and Enforcement of Administrative Sanctions	0,9
Availability and Enforcement of Criminal Sanctions	0,9
Availability and Effectiveness of Entry Control	0,8
Integrity of Business/Institution Staff	0,7
AML Knowledge of Business/Institution Staff	0,7
Effectiveness of Compliance Function (Organization)	0,7
Effectiveness of Suspicious Activity Monitoring and Reporting	0,8
Availability and Access to Beneficial Ownership Information	0,7
Availability of a Reliable Identification Infrastructure	0,7
Availability of Independent Information Sources	0,5

(v) *People's credit funds*: Based on 45/57 (in 2018, it was 42/57) questionnaires conducted by the State Bank branches in provinces and cities which manage directly People's credit funds) for the above 858 People's credit funds, the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for People's credit funds	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,8
Availability and Enforcement of Administrative Sanctions	0,8
Availability and Enforcement of Criminal Sanctions	0,8

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Availability and Effectiveness of Entry Control	0,8
Integrity of Business/Institution Staff	0,8
AML Knowledge of Business/Institution Staff	0,7
Effectiveness of Compliance Function (Organization)	0,4
Effectiveness of Suspicious Activity Monitoring and Reporting	0,5
Availability and Access to Beneficial Ownership Information	0,3
Availability of a Reliable Identification Infrastructure	0,5
Availability of Independent Information Sources	-

(vi) *Local development investment fund*: Based on results of surveys of local development investment funds in 63 provinces and cities (based on 20 surveys responded out of a total of 63 issued), the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for Local development investment fund	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,9
Availability and Enforcement of Administrative Sanctions	0,9
Availability and Enforcement of Criminal Sanctions	0,9
Availability and Effectiveness of Entry Control	0,9
Integrity of Business/Institution Staff	0,8
AML Knowledge of Business/Institution Staff	0,7
Effectiveness of Compliance Function (Organization)	0,8
Effectiveness of Suspicious Activity Monitoring and Reporting	0,8

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Availability and Access to Beneficial Ownership Information	0,7
Availability of a Reliable Identification Infrastructure	0,8
Availability of Independent Information Sources	0,5

(vii) *Cooperative support fund*: Based on results of surveys of Cooperative support funds in 63 provinces and cities (based on 21 surveys responded out of a total of 63 issued), the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for Cooperative support fund	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,8
Availability and Enforcement of Administrative Sanctions	0,8
Availability and Enforcement of Criminal Sanctions	0,8
Availability and Effectiveness of Entry Control	0,7
Integrity of Business/Institution Staff	0,7
AML Knowledge of Business/Institution Staff	0,7
Effectiveness of Compliance Function (Organization)	0,7
Effectiveness of Suspicious Activity Monitoring and Reporting	0,7
Availability and Access to Beneficial Ownership Information	0,5
Availability of a Reliable Identification Infrastructure	0,6
Availability of Independent Information Sources	-

(viii) *Providers of intermediary payment services*: Based on results of surveys of Providers of intermediary payment services in 63 provinces and cities (based on

41 surveys responded out of a total of 48 issued), the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for providers of intermediary payment services	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	1
Effectiveness of Supervision/Oversight Activities	0,9
Availability and Enforcement of Administrative Sanctions	0,9
Availability and Enforcement of Criminal Sanctions	0,9
Availability and Effectiveness of Entry Control	0,9
Integrity of Business/Institution Staff	0,9
AML Knowledge of Business/Institution Staff	0,8
Effectiveness of Compliance Function (Organization)	0,9
Effectiveness of Suspicious Activity Monitoring and Reporting	0,6
Availability and Access to Beneficial Ownership Information	0,8
Availability of a Reliable Identification Infrastructure	0,8
Availability of Independent Information Sources	0,7

(ix) *Pawn shops*: Based on results of surveys of Pawn shops in 63 provinces and cities (based on 51 surveys responded out of a total of 63 issued), the assessment team built the table of implementation effectiveness assessment variables as follows:

Implementation efficiency variables for providers of intermediary payment services	Implementation effectiveness assessment
Comprehensiveness of AML Legal Framework	0,9
Effectiveness of Supervision/Oversight Activities	0,8

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Availability and Enforcement of Administrative Sanctions	0,8
Availability and Enforcement of Criminal Sanctions	0,8
Availability and Effectiveness of Entry Control	0,7
Integrity of Business/Institution Staff	0,5
AML Knowledge of Business/Institution Staff	0,5
Effectiveness of Compliance Function (Organization)	0,5
Effectiveness of Suspicious Activity Monitoring and Reporting	0,4
Availability and Access to Beneficial Ownership Information	0,4
Availability of a Reliable Identification Infrastructure	0,4
Availability of Independent Information Sources	-

(x) *Informal money transfer channel*: For informal money transfer activities, the assessment team did not have specific survey data, so the table of implementation effectiveness assessment was not developed.

Other financial institutions are diverse in type and operate across the country with a scale that is often very small compared to institutions operating in the finance and banking sector. The number of units for each type is different, such as: pawn shops/companies have more than 20,000 institutions; People's credit funds of more than 1,000 institutions; but microfinance institutions, payment intermediaries... each has less than 50 institutions. Most are not multi-purpose institutions that only provide a certain service. Other financial institutions with small scale and simple organizational models have the risk of violations and the impact level not high in all aspects, but they create significant challenges for state managers because the operating area is wide, including remote areas; the number of organizations is very large, and awareness and understanding of legal regulations, including regulations on AML/CFT, are often more limited than those of organizations that are large, professional financial corporations.

However, most of the institutions in this group are subject to direct management of the State Bank and the People's Committees of provinces and cities with a network system in 63 provinces and cities; therefore, basically these organizations are strictly managed according to the provisions of law, including regulations on anti-corruption and terrorist financing. For the group of pawn shops, [Type here]

due to the large number of institutions, distributed throughout localities, and licensed by district management agencies, there are still certain limitations, but most of them are very small in scale; under the direct management of the local police force, the risk of these institutions being used for ML activities is not high.

II. ML vulnerability assessment to other financial institutions

1. Institutions receiving and making payments by foreign currency¹²⁷

1.1. Legal regulations on organization, operation and licensing

Economic institutions (not including credit institutions) that directly receiving and making payment by foreign currency are understood as remittance companies. In essence, economic institutions licensed by the State Bank of Vietnam to directly receive and make payment by foreign currency are only agents for international money transfer companies because these economic institutions are only allowed to receive foreign currency from abroad to transfer to individuals (through foreign currency accounts opened at licensed credit institutions), are not allowed to provide services of receiving and transferring foreign currency abroad (Clause 2, Article 36 of the Foreign Exchange Ordinance and Article 7 of Circular 34/2015/TT-NHNN dated December 31, 2015 guiding the provision of foreign currency receipt and payment services (amended and supplemented)).

Economic institutions permitted foreign exchange agent activities: only operate in the form of using Vietnamese Dong to buy foreign currency in cash from individuals and not sell foreign currency in cash to individuals for Vietnamese Dong (except economic institutions acting as foreign exchange agents located in quarantine areas at international border gates). Economic institutions that operate foreign exchange agents located in quarantine areas at international border gates are allowed to sell foreign currency in cash to individuals holding passports issued by competent foreign agencies (Article 4 Decision 21/2008/QĐ-NHNN dated July 11, 2008 on Regulations on foreign currency exchange agents).

1.2. Operational situation

Results of the survey of economic entities receiving and making payment by foreign currency (based on 37 surveys responded to the State Bank of Vietnam's branches in provinces and cities that have licensed foreign exchange operations for economic entities, out of a total of 39 issued and 540 surveys out of a total 725 surveys issued) showed that:

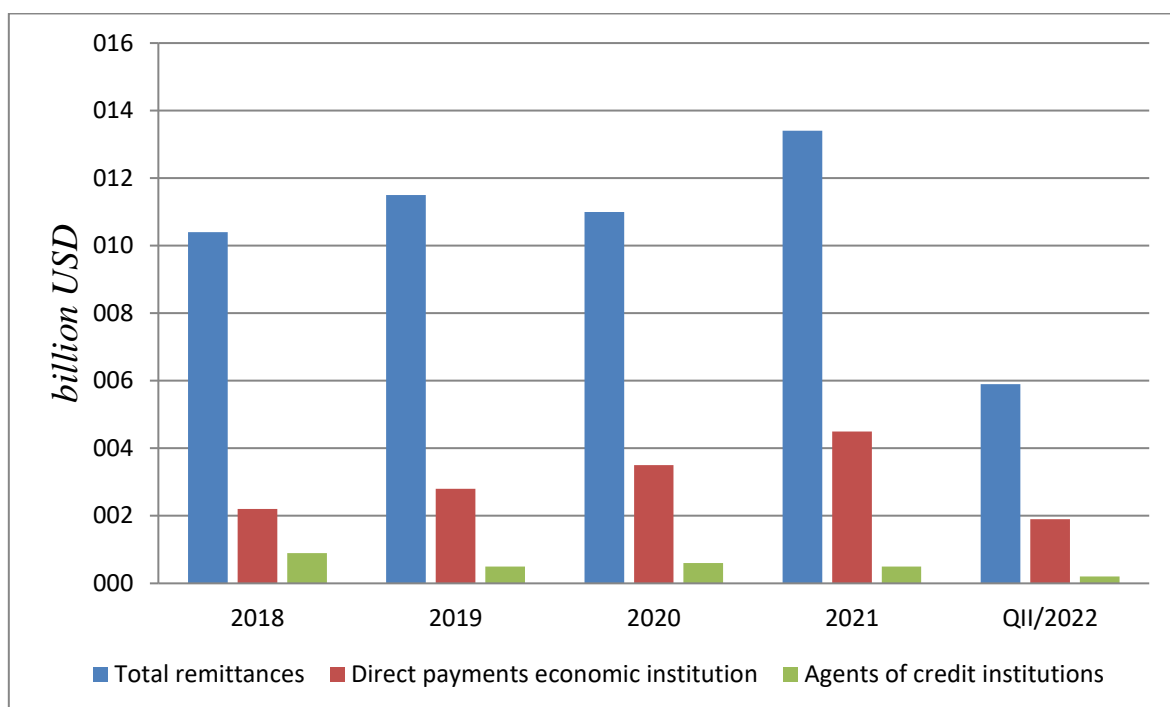
- Operational network: As of the first quarter of 2022, there are 27 economic entities licensed to directly provide receipt and payment services by foreign currency and 698 agents receiving and making payment by foreign currency for credit institutions distributed in 39/63 provinces and cities of the country. Among the 27

¹²⁷ Including economic institutions that directly receive and making payment by foreign currency and agents receiving and making payments by foreign currency for credit institutions.
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economic institutions directly providing the above-mentioned foreign currency receipt and payment services, there are 9 institutions located in Hanoi and 17 institutions in Ho Chi Minh city and 1 institution in Thanh Hoa province.

- Revenue from activities of receiving and making payment by foreign currency through economic institutions directly receiving and making payment by foreign currency and agents receiving and making payment by foreign currency of credit institutions compared to total remittances transferred as follows:

Unit: billion USD



- Proportion of revenue from activities of receipt and payment by foreign currency /GDP by type of economic institutions.

	2018	2019	2020	2021
Economic institutions directly receiving and making payments by foreign currency	0,73%	0,81%	1,07%	0,97%
Agents receiving and making payment by foreign currency of credit institutions	0,27%	0,23%	0,21%	0,24%

(Source GDP 2018-2021: World Bank; GDP 2022: IMF)

- Operational mechanism:

To receive and make payment by foreign currency, economic institutions must open 01 payment account for each type of foreign currency at 01 licensed credit institution in the area where the economic institutions is headquartered (called special foreign currency account). When making a transfer or withdrawing foreign currency in cash from a special foreign currency account to make payments to domestic beneficiaries, the economic institutions directly receiving and making payment by foreign currency must provide the authorized credit institution where the nominal account is opened with beneficiary list, the corresponding amount of each beneficiary according to each type of foreign currency. At the same time, economic institutions that directly receive and make payments by foreign currency must update [Type here]

books, accounting, and maintain documents in accordance with current regulations and must present all documents related to receipt and payment by foreign currency as requested by competent authorities and make quarterly reports on receipt and payment activities to the State Bank.

- Agencies responsible for licensing, inspection and supervision: Economic institutions (other than credit institutions) must be licensed by the State Bank branches in provinces and cities to provide services of receipt and payment by foreign currency. The validity period of the written approval to directly receive and make payments by foreign currency is based on the term of the contract signed with the foreign partner and must not exceed 5 years from the date of signing.

- Number of ML trials: Currently, there are no ML trials related to economic institutions receiving and making payments by foreign currency in Vietnam.

1.3. Assessment of the ML vulnerability rating

Through assessment, surveys, AML legal framework, effectiveness of inspection/supervision activities, enforcement of administrative and criminal sanctions and effectiveness of entry control are at a high level. Up to now, no economic institutions receiving and making payments by foreign currency has been investigated, prosecuted, or tried relating to ML cases.

Although economic institutions that receive and make payment by foreign currency do not really have a highly effective information system to identify and assess overseas customers sending remittances to Vietnam, these economic institutions have a database of beneficiary customers in Vietnam to retrieve information when necessary. Besides, 96% of economic institutions that receive and make payment by foreign currency are agents receiving and making payment by foreign currency for credit institutions.

According to legal regulations, credit institutions delegating agents are responsible for Inspect, control and assume liabilities for the foreign currency payment activities of the delegated agents (Article 18, Circular 34/2015/TT-NHNN dated December 31, 2015 (amended and supplemented by Circular 11/2016/TT-NHNN dated June 29, 2016) and Article 11 of Decision 21/2008/QĐ-NHNN dated 11/7/2008 (amended and supplemented by Circular 11/2016/TT-NHNN dated June 29, 2016)). In addition, foreign currency receipt and payment turnover of economic institutions receiving and making payment by foreign currency is at a low level and the number of transaction reports exceeding the prescribed threshold is low, with no STRs by these economic institutions. Therefore, the ML vulnerability of economic institutions directly receiving and making payment by foreign currency is assessed at a LOW, this assessment rating is better than the 2018's assessment rating due to the awareness of staff being responsible for inspection and supervision strengthened significantly, the decentralization of management for state bank branches becoming clear.

2. Economic institutions acting as foreign exchange agents for credit institutions (Foreign exchange agents)¹²⁸

2.1. Legal regulations on organization, operation and licensing

+ Circular No. 34/2015/TT-NHNN on the guidelines for the provision of foreign currency receipt and payment services including institutions directly receiving and making payment by foreign currency, agents receiving and making payment by foreign currency to credit institutions was issued on December 31, 2015.

+ Decree 89/2016/ND-CP stipulates requirements applicable to business entities acting as currency exchange agents or providing foreign currency receipt and payment services.

+ Circular 11/2016/TT-NHNN amending and supplementing a number of legislative documents on provision of foreign currency payment services, activities of foreign exchange agent agents and foreign exchange desks such as the Circular No.34/2015/TT-NHNN and the Decision No.21/2008/QĐ-NHNN

+ Circular No. 15/2014/TT-NHNN dated July 24, 2014 of the State Bank of Vietnam guiding on the management of foreign exchange for the gambling business for foreigners.

+ Decision No. 21/2008/QĐ-NHNN dated July 11, 2008 of the Governor of the State Bank on Regulations on foreign exchange agents.

2.2. Operational situation

- Number of economic entities carrying out foreign currency exchange agency activities for credit institutions in Vietnam: as of the second quarter of 2022, the State Bank of Vietnam has licensed 646 economic entities to carry out foreign currency exchange agent activities for credit institutions¹²⁹.

- The average annual value of foreign exchange transactions is approximately 183.05 million USD.

- The ratio of the average annual value of foreign exchange transactions to GDP is around 0.057%.

¹²⁸ **Economic organizations conducting foreign currency exchange activities:** They are only allowed to operate by using Vietnamese Dong to purchase foreign currency in cash from individuals and are not allowed to sell foreign currency in cash to individuals in exchange for Vietnamese Dong (except for economic organizations conducting foreign currency exchange activities located in isolated areas at international border gates). Economic organizations conducting foreign currency exchange activities located in isolated areas at international border gates are permitted to sell foreign currency in cash to individuals holding passports issued by competent foreign authorities (Article 4 of Decision 21/2008/QĐ-NHNN dated July 11, 2008, on the Regulation of Foreign Currency Exchange Agents)

¹²⁹ As of the end of 2021, the State Bank of Vietnam (SBV) issued foreign exchange operation licenses to approximately 100 credit institutions, allowing them to conduct remittance receipt and payment activities and operate individual foreign exchange counters according to regulations.

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- Network of operations: Economic organizations engaged in foreign exchange agency activities are currently concentrated in major cities, provinces bordering China, Laos, Cambodia, and areas with strong tourism development that attract many foreigners. There are no branches operating abroad.

- Main services provided: Using Vietnamese Dong to purchase foreign currency in cash from individuals.

- Licensing and inspection authority: The State Bank of Vietnam (provincial and city branches).

- Number of money laundering cases prosecuted: Currently, there have been no prosecuted cases of money laundering related to economic organizations engaged in foreign exchange agency activities in Vietnam. However, this sector carries certain risks of money laundering due to the nature of the services provided, so attention should be paid to potential risks related to money laundering and terrorist financing.

2.3. Assessment of ML vulnerability to money laundering

The quality of AML controls among economic organizations engaged in foreign exchange agency activities is only average. However, foreign exchange agents for credit institutions operate under the supervision of authorized credit institutions and are located in specific places where opening branches or transaction offices of credit institutions would be impractical and costly. Additionally, the volume of foreign exchange transactions in this area is minimal. Therefore, the vulnerability to money laundering in this sector is assessed as LOW, with this assessment being an improvement compared to 2018. This is due to the fact that these entities are not only fully equipped with legal regulations on AML but also subject to strict supervision and management by state regulatory agencies in foreign exchange management and inspection.

3. Non-Bank Credit Institutions¹³⁰

3.1. Legal Regulations on Organization, Operations, and Licensing

- The Law on Anti-Money Laundering 2012 and its guiding documents (Decree No. 87/2019/ND-CP amending Decree No. 116/2013/ND-CP guiding the AML Law; Decree 96/2014/ND-CP stipulating penalties for administrative violations in monetary and banking activities; Decree 143/2021/ND-CP amending Decree 88/2019/ND-CP on penalties for administrative violations).

- Circular 35/2013/TT-NHNN guiding the implementation of certain AML regulations, amended and supplemented by Circular No. 31/2014/TT-NHNN dated

¹³⁰ Non-bank credit institutions: These are types of credit institutions that carry out one or more banking activities as stipulated by this Law, except for activities involving accepting deposits from individuals and providing payment services through customer accounts. Non-bank credit institutions include finance companies, leasing companies, and other non-bank credit institutions.

November 11, 2014, and Circular No. 20/2019/TT-NHNN dated November 14, 2019.

3.2. Operational Situation

Survey results from the State Bank branches, financial companies, and leasing companies nationwide (excluding weak companies or those halting operations for restructuring) (based on 26 completed surveys out of 31 surveys distributed) show:

- Number of Non-Bank Credit Institutions: 26, including:
 - + Financial leasing companies: 10;
 - + General finance companies: 5;
 - + Consumer finance companies: 11.

- Total assets/GDP for the years 2019, 2020, 2021, and June 30, 2022 are as follows:

Unit: Billion VND (exchange rate: as of December 31, each year and June 30, 2022)

	2019	2020	2021	6/2022
Total assets	205,259.6	229,047.66	260,177.4	270,571.3
Number of Companies	26	26	26	26
GDP	7,650,180.45	7,939,484.44	8,393,302.80	No data available
Total assets/GDP	2.7%	2.9%	3.1%	

- Operational Characteristics:

+ Financial companies, Financial leasing companies:

According to the Law on Credit Institutions, non-bank credit institutions are not permitted to accept deposits from individuals or conduct payment activities through customer accounts. Due to these operational characteristics (especially the prohibition on payment activities), and with the State Bank's stringent regulations on operations (both mobilization and lending activities require customers to provide detailed information, including submitting necessary documents), customer data is essentially complete, and customer information is stored at credit institutions and CIC (credit outstanding information). Additionally, current regulations clearly outline the responsibility of credit institutions in assessing loan applications, verifying loan purposes, and monitoring loan debts to ensure that loans are used for their intended purposes; therefore, the risk of using borrowed funds for other purposes such as terrorist financing very low.

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- Licensing and Inspection Authority: State Bank of Vietnam (Banking Supervisory Agency and State Bank branches in provinces and cities).

- Number of money laundering cases adjudicated: There have been no money laundering cases adjudicated related to non-bank credit institutions in Vietnam.

3.3. Assessment of ML Vulnerability

The quality of AML controls in financial companies and financial leasing companies is rated as medium high to high. This is due to the existing legal framework that regulates and inspects the activities of these institutions (both the comprehensiveness of the legal framework on AML and the effectiveness of inspection and supervision are rated as good). The operational quality and the quality of AML policies and procedures are rated as medium high and high, respectively.

Therefore, the ML vulnerability in this sector is rated as MEDIUM. This assessment has not changed significantly compared to the 2018 assessment result.

4. Microfinance Institutions (MFIs)¹³¹, Microfinance Programs and Projects¹³²

4.1. Legal Regulations on Organization, Operations, and Licensing

- Microfinance Institutions:

- + Law on Credit Institutions No. 47/2010/QH12 dated October 16, 2010, and Law No. 17/2017/QH14 dated November 20, 2017, amending and supplementing certain provisions of the Law on Credit Institutions.

- + Circular No. 03/2018/TT-NHNN dated February 23, 2018, stipulating the licensing, organization, and operation of microfinance institutions (Circular 03).

- Microfinance Programs and Projects: Decision No. 20/2017/QD-TTg dated June 12, 2017, regulating the activities of microfinance programs and projects of political organizations, socio-political organizations, and non-governmental organizations (Decision 20).

4.2. Operational Situation

Results from surveys of 04 microfinance institutions, 05 microfinance programs and projects directly managed by the State Bank of Vietnam (Banking Supervisory Agency); from State Bank branches in provinces and cities, and data collected from inspection and supervision activities show:

4.2.1. Microfinance Institutions

¹³¹ Microfinance Institutions: These are a type of credit institution primarily engaged in providing certain banking activities to meet the needs of individuals, low-income households, and micro-enterprises.

¹³² It is a microfinance program or project that has been registered and certified by the State Bank according to the regulations specified in Decision No. 20/2017/QD-TTg dated June 12, 2017, issued by the Prime Minister. This decision regulates the operation of microfinance programs and projects (Microfinance Programs and Projects) of political organizations, political-social organizations, and non-governmental organizations (Decision 20).

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- Based on the results of 4 out of 4 surveys conducted by the SBV on microfinance institutions, the findings are as follows:

+ 100% of microfinance institutions have issued regulations and guidelines that comply with legal regulations on AML.

+ 75% of microfinance institutions have not detected any employee's exploitation.

+ No microfinance institution has been involved in any money laundering case.

+ 100% of microfinance institutions have not had to apply disciplinary measures against their staff for violating AML regulations.

+ 50% of microfinance institutions have developed AML training programs.

+ 75% of microfinance institutions provide AML training to their staff, with 50% of them conducting training as conditions allow.

+ 50% of microfinance institutions conduct knowledge checks for their staff on AML, and 50% of microfinance institutions report that their staff received updated information or self-updated on new money laundering methods.

+ 100% of microfinance institutions confirm that their staff understand the legal consequences of non-compliance with AML regulations.

+ 75% of microfinance institutions have compliance policies being appropriate to their business risk levels, and 100% of them have disciplinary measures for violations of compliance policies.

+ 75% of microfinance institutions have senior compliance officers (with adequate resources and operating independently) being responsible for AML compliance.

+ 75% of microfinance institutions conduct internal or independent audits for AML compliance.

+ 75% of microfinance institutions have information systems to monitor customer transactions and cross-check with customers' profiles.

+ 100% of microfinance institutions believe that transaction records are easy to screen and monitor for AML purposes.

+ 100% of microfinance institutions frequently use cash (50-99%) in customer's transactions conducted through microfinance institutions in the area.

- Number of microfinance institutions in Vietnam (as of December 31, 2021):
4

- Average total assets and total assets/GDP for the years 2019, 2020, 2021, and the first quarter of 2022 are as follows:

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Unit: Million VND

	2019	2020	2021	1st quarter of 2022
Total Assets	7,966,421.2	8,655,833.6	8,494,542.6	8,704,232.1
Number of MFIs	4	4	4	4
Average Total Assets	1,991,603.1	2,163,958.4	2,123,635.6	2,176,058
Total Assets/GDP	0.104%	0.108%	0.102%	(Data not available due to end of year not yet completed)

- Operation Network: 64 branches, 59 transaction offices in provinces/cities across the country, no branches operating abroad.

- Operational Characteristics:

According to the Credit Institutions Law, microfinance institutions primarily engage in one or more banking activities to meet the needs of individuals, households with low incomes, and micro-enterprises, particularly the poor and disadvantaged in remote, mountainous, and rural areas. Loans from this type of credit institution are usually small in value (some loans are only a few hundred thousand VND, with an average loan balance of about 16 million VND per customer, with or without collateral, used for income-generating activities and improving living conditions).

- Number of money laundering cases adjudicated: There have been no money laundering cases related to microfinance institutions in Vietnam.

4.2.2. Microfinance Programs and Projects

- Based on 5 out of 5 surveys conducted by the SBV for microfinance programs and projects under its management, and 29 out of 35 surveys conducted by SBV branches in provinces and cities for microfinance programs and projects in the area, the findings are as follows:

+ 8% of microfinance programs and projects have issued regulations and guidelines that comply with legal regulations on AML.

+ 78% of microfinance programs and projects have not detected their staff's exploitation.

+ There have been no microfinance programs or projects that have generated cases related to money laundering.

+ 100% of microfinance programs and projects have not had to apply disciplinary measures against their staff for violating AML regulations.

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+ 8% of microfinance programs and projects have developed AML training programs.

+ 29% of microfinance programs and projects provide AML training for their staff, with 20% conducting training as conditions allow.

+ 23% of microfinance programs and projects conduct knowledge checks for their staff on AML, and 41% of them report that their staff received updated information or self-updated on new money laundering methods.

+ 58% of microfinance programs and projects confirm that their staff understand the legal consequences of non-compliance with AML regulations.

+ 67% of microfinance programs and projects have compliance policies being appropriate to their business risk levels, and 59% of them have disciplinary measures for violations of compliance policies.

+ 15% of microfinance programs and projects have senior compliance officers (with adequate resources and operating independently) being responsible for AML compliance.

+ 22% of microfinance programs and projects conduct internal or independent audits for AML compliance.

+ 54% of microfinance programs and projects have information systems to monitor customer's transactions and cross-check with customer's profile.

+ 50% of microfinance programs and projects find that transaction records are easy to screen and monitor for AML purposes.

+ 44% of microfinance programs and projects use cash exclusively (100%); 26% frequently use cash (50-99%); 30% use cash partially (1-49%) in customer's transactions conducted through these programs and projects.

- Number of microfinance programs and projects in Vietnam (as of December 31, 2021): 75

- Average total assets and total assets/GDP for the years 2019, 2020, and 2021 are as follows: (Microfinance programs and projects report annually as stipulated in Decision 20; therefore, data for the first quarter of 2022 is not yet available).

Unit: Million VND

	2019	2020	2021
Total Assets	1,779,827.5	2,049,184.4	2,090,070
Number of Programs/Projects	65	69	75
Average Total Assets	27,381.9	29,698.3	27,867.6

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Total Assets/GDP	0.023%	0.026%	0.025%
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Specific Activities of Microfinance Programs and Projects:

(i) Capital Mobilization: Microfinance programs and projects primarily mobilize funds through compulsory savings, with some also mobilizing voluntary savings. As of December 31, 2021, 75 programs and projects had a total voluntary savings balance of approximately 72.418 billion VND, accounting for 8.44% of total mobilized capital.

(ii) Lending Activities: Lending is the primary activity of microfinance programs and projects. According to data as of December 31, 2021, the ratio of total lending to average total assets for 75 programs and projects was 92%.

(iii) Other Activities:

a) Receiving loan trust from organizations, individuals, or microfinance programs of political, socio-political, or non-governmental organizations for lending to microfinance clients without profit objectives;

b) Opening deposit accounts at commercial banks;

c) Acting as agents to provide insurance products to microfinance clients according to legal regulations;

d) Consulting, supporting, and training microfinance clients on loan use, production, business, living, social, environmental matters, and other knowledge to improve production efficiency, business outcomes, and the material and spiritual well-being of microfinance clients.

4.3. Assessment of ML Vulnerability

Compared to microfinance institutions, microfinance programs and projects have a preliminary legal framework for regulating activities (Decision 20/2017/QĐ-TTg) but it is not yet fully developed or synchronized. Consequently, the quality of AML controls in these entities are rated from medium to medium high. This result is due to the legal framework's comprehensiveness and the effectiveness of supervisory activities being rated from medium to medium high. Operational quality and AML policies and procedures are rated as medium. The use of cash is high, and the frequency of international transactions is zero.

Similarly, to financial companies and leasing companies, microfinance institutions operate in compliance with the Law on Credit Institutions and by-law documents. Therefore, the quality of AML controls in these institutions are rated from medium high to high. The comprehensiveness of the AML legal framework and the effectiveness of supervisory activities are rated from medium high to high. Operational quality and the quality of AML policies and procedures are rated as high. Due to customer base of microfinance institutions, who are typically poor individuals, near-poor households, or micro-enterprises, the use of cash in [Type here]

transactions is high, with international transactions being almost non-existent. This does not significantly affect the level of ML vulnerability in this sector, as the legal regulations, transaction threshold is 50,000,000 VND.

Comparison with previous surveys (in the 1st NRA):

+ Legal Regulations for Organization, Operation, and Licensing: for microfinance institutions, the Circular 03 replaced and supplemented the Circular 02/2008/TT-NHNN dated April 2, 2008, with stricter and more comprehensive regulations. Microfinance programs and projects continue to be required to comply with the Decision 20.

+ Operation: Although reported data on financial situation by microfinance institutions and microfinance programs and projects have significantly increased, the target customer groups and activities of these institutions still comply with the regulations as assessed in previous surveys.

Thus, the ML vulnerability in this sector is rated as LOW.

5. People's credit funds

5.1. Legal Regulations on Organization, Operations, and Licensing

People's credit funds are credit institutions established voluntarily by legal entities, individuals, and households in the form of cooperatives to perform certain banking activities according to the Law on Credit Institutions and the Law on Cooperatives. Their primary goal is mutual assistance in developing production, business, and living conditions.

The licensing procedures for People's credit funds are regulated by Circular 04/2015/TT-NHNN dated March 31, 2015, issued by the Governor of the SBV.

5.2. Operational Situation

Based on 45/57 (compared to 42/57 in 2018) survey conducted by the State Bank branches in provinces and cities (which directly manage People's credit funds) on 858 People's credit funds across the country, the following results are:

- 76% of People's credit funds comply with the legal regulations on AML.
- 100% of People's credit funds have not detected their staff's exploitation.
- No People's credit fund has been involved in ML cases.
- 97% of People's credit funds have not had to take disciplinary action against their staff for violating AML regulations.
- 36% of People's credit funds have developed AML training programs.
- 44% of People's credit funds provide AML training for their staff, with 26% doing so as conditions allow.

- 25% of People's credit funds conduct knowledge checks on their staff regarding AML.

- 94% of People's credit funds report that their staff understand the legal consequences of non-compliance with AML regulations.

- 83% of People's credit funds have policies corresponding to the risk levels in their business activities, and 84% of them have disciplinary measures for violations of compliance policies.

- 0.7% of People's credit funds have senior compliance officers with adequate resources and independent operations.

- 30% of People's credit funds conduct internal or independent audits on AML compliance.

- 61% of People's credit funds have systems to monitor customer transactions and reconcile them with their customer profiles.

- 77% of People's credit funds find transaction records easy to screen and monitor for AML purposes.

- 29% of People's credit funds use cash exclusively (100%); 71% frequently use cash (50-99%) in customer transactions.

- 98% of People's credit funds do not engage in international transactions.

- Number of People's credit funds in Vietnam (2021): 1,181.

- Average total assets and total assets/GDP for 2018, 2019, 2020, and 2021 are as follows:

Unit: Million VND

Year	2018	2019	2020	2021
Total Assets	113,169,885	126,495,757	143,201,497	158,832,706
Number of Funds	1,183	1,182	1,181	1,181
Average Total Assets	95,663	107,018	121,254	134,490
Total Assets/GDP	1.61%	1.65%	1.80%	1.89%

- Operational Network: People's credit funds are permitted to operate within a limited geographical area such as a commune, ward, or town, or inter-commune areas within the same province or centrally governed city. They do not have branches abroad.

- Licensing, management and inspection authority: State Bank branches in provinces and cities

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- Number of money laundering cases adjudicated: There have been no money laundering cases related to People's credit funds in Vietnam.

5.3. Assessment of ML Vulnerability

a) Survey results show that the quality of AML controls within People's credit funds is currently rated as Medium Low. This is primarily due to factors such as poor operational quality, insufficient AML knowledge among staff, limited access to independent information sources, and inadequate infrastructure for customer information identification.

b) However, People's credit funds are licensed and directly supervised by the State Bank branches in provinces and cities. They primarily operate in rural areas, focusing on supporting economic development for local members, mainly farmers who borrow money for agricultural investment. The high cash usage is a result of rural inhabitants' habits and limited access to alternative payment methods or international transactions. Most People's credit funds do not engage in international transactions, reducing the risk of cross-border money laundering activities.

c) Measures Taken by the SBV to enhance supervision of People's Credit funds:

- Strengthening Inspections for People's Credit funds:

+ On May 28, 2020, the SBV issued Decision No. 1019/QD-NHNN, which establishes a standardized inspection procedure for people's credit funds across the country in order to ensure uniformity in the process, procedures and content of inspection.

Inspections and examinations have achieved some results in detecting violations and issues in people's credit fund operations. Over 1,000 inspections and examinations of People's credit funds were conducted in 2019, 2020, and 2021.

+ The State Bank branches in provinces and cities have focused resources to enhance the effectiveness of inspections and examinations of People's credit funds, especially those with higher risk or larger scale that have not been inspected in the past 2-3 years or show signs of legal violations. The focus includes governance, management, internal control, and comparing deposits and loans with reality, etc. In addition to scheduled inspections, unscheduled examinations are conducted to promptly identify and strictly handle violations in the operations of people's credit funds, continue to carry out cross-inspection between State Bank branches in provinces and cities.

+ The Deposit Insurance of Vietnam and the Vietnam Cooperative Bank are also tasked with examining People's credit funds.

- Strengthening the supervision of People's credit funds:

+ The infrastructure and information technology systems of people's credit funds are currently deficient and weak. To address these issues, the SBV has issued two guidelines on operational procedures and the development of management software for People's credit funds with the following goals: (i) Ensuring that People's credit funds operations and safety are in compliance with legal regulations; (ii) Standardizing input information and processing information on operational activities at People's credit funds accurately and completely; (iii) Providing a basis for improving and upgrading People's credit fund management software; (iv) Gradually enhancing the quality of management and control of People's credit fund activities; (v) Serving as a basis for the assessment of People's credit funds operational quality by the SBV branches in provinces and cities, etc. + Modernizing the reporting system to improve the effectiveness and quality of reports.

+ The SBV has issued directives, guidelines, and encouraged the SBV branches in provinces and cities to strengthen management and ensure the safety of People's credit funds. This includes focusing on warning about potential risk activities, ethical risks, and legal violations within the People's credit fund system; applying measures to prevent crimes and legal violations in the banking sector; increasing the frequency and quality of examinations, inspections, and monitoring of People's credit funds' activities to timely detect violations and impose sanctions according to legal regulations to ensure legal deterrence and enforcement. The SBV requires the State Bank branches in provinces and cities to report to local Party Committees and People's Committees to develop coordination mechanisms and exchange information with local police to proactively prevent and address legal violations effectively, preventing insecurity and in order issues within the People's credit fund system, especially for weaker People's credit funds in the locality, enhancing investigations, trials, asset recovery, and coordinating with the Vietnam Cooperative Bank and Deposit Insurance of Vietnam to exchange information, and enhance the responsibility of independent auditing organizations, etc.

In implementing the SBV's directives and guidelines, the State Bank of provinces and cities regularly monitor and supervise the activities of People's credit funds to provide timely warnings and develop solutions for emerging issues to ensure the safety of People's credit fund operations.

+ The SBV has developed and implemented a three-year work plan (2020-2022) with the State Bank branches in provinces and cities through working team (10-12 sessions/year) to exchange guidelines on legal documents, directives from the SBV Governor, task execution results, and SBV branches' management activities for people's credit funds.

Conclusion:

- According to the survey conducted by the State Bank's branches in provinces and cities on people's credit funds, there are still some limitations in the implementation of AML measures by People's credit funds. For example: 36% of [Type here]

People's credit funds have developed AML training programs, 44% regularly train their staff on AML, 25% conduct knowledge checks on AML among their staff, 0.7% have senior compliance officers (with adequate resources and operating independently) being responsible for AML compliance, 30% conduct internal or independent audits on AML compliance, and there is a high usage of cash (29% of People's credit funds use cash exclusively (100%); 71% of them use cash frequently (50-99%) in customer's transactions).

- However, People's credit funds operate as member cooperatives aimed at mutual assistance, mostly serving farmers who take loans for agricultural investment. The average loan amounts are moderate, and the total assets of People's credit funds compared to GDP are low (ranging from 1.61% to 1.89% from 2018 to 2021). Additionally, a majority of People's credit funds comply with AML regulations (76%), no cases of staff's exploitative behavior detected (100%); no violations of AML regulations have been needed to impose sanctions (97%); their staff understand the legal consequences of non-compliance with AML regulations (94%), having systems in place to monitor transactions and verify customer records (61%); it finds transaction records easy to screen and monitor for AML (77%), and there are no international transactions (98%). Furthermore, the State Bank has implemented various measures in recent years to enhance the inspection, auditing, and supervision of People's credit funds to strengthen their operations, such as issuing Decision No. 1019/QD-NHNN on the inspection process for People's credit funds, issuing two guidelines on operational processes and developing management software for People's credit funds, and developing a three-year work plan (2020-2022) with State Bank branches through task forces (10-12 sessions/year) to discuss legal guidelines, directives from the Governor of the State Bank, task performance results, and the management and operation directives of the State Bank for People's credit funds, and assigning the Deposit Insurance of Vietnam and the Vietnam Cooperative Bank to inspect People's credit funds.

Therefore, the level of ML vulnerability in this sector is rated as LOW (similar to the assessment in 2018).

6. Local Development Investment Funds¹³³

6.1. Legal Regulations on Organization, Operation, and Licensing

Decree No. 147/2020/ND-CP dated December 18, 2020, issued by the Prime Minister, regulates the organization and operation of Local Development Investment Funds.

6.2. Operational Situation

¹³³ Local Development Investment Fund: It is a State-owned financial institution of the locality, performing the functions of financial investment and development investment. The Local Development Investment Fund has legal status, charter capital, its own balance sheet, a seal, and is allowed to open accounts at the State Treasury and legally operating commercial banks in Vietnam.

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Results from the study and survey of Local Development Investment Funds across 63 provinces and cities (based on 20 surveys returned out of 63 issued) show:

- The number of Local Development Investment Funds in Vietnam: 44 institutions.
- Estimated total assets (as of December 31, 2018): VND 34,980 billion.
- Average total assets-to-GDP ratio (2018): approximately 0.63%.
- Operational Network: The activities of the Development Investment Funds are mainly within the province or city where they are based.
- Main services provided:
 - + Raising medium and long-term capital from domestic and foreign organizations and individuals according to legal regulations;
 - + Investment, including direct investment in projects; investment loans; equity contribution to establish enterprises operating in the industry of economic and social infrastructure development;
 - + Entrusting for investment lending and debt recovery; Receiving entrusted management of investment funds, investment lending, debt recovery, investment capital disbursement, and issuance of local government bonds to raise funds for local budgets as authorized by the Provincial People's Committee (hereinafter referred to as the Provincial People's Committee).
- Licensing and Supervisory Authorities:
 - + The Provincial People's Committee decides on the establishment of Local Development Investment Funds, regulations on organizational structure, approves the operational Charter of the Local Development Investment Fund, directly manages the activities and decides on other matters of the Local Development Investment Fund as stipulated in Decree No. 147/2020/ND-CP dated December 18, 2020, and current laws.
 - + The Ministry of Finance performs state management functions of finance; issues the Model Charter on the organization and operation of the Local Development Investment Fund; issues financial management regulations for Local Development Investment Funds; and supervises, inspects, and examines the activities of Local Development Investment Funds.
- Number of money laundering cases: Currently, there are no reported money laundering cases related to Development Investment Funds in Vietnam.

6.3. Assessment of ML Vulnerability

Local Development Investment Funds are state financial institutions of the locality, performing the functions of financial investment and development investment. The primary activities of the Development Investment Fund involve

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raising capital to invest, provide investment loans, and manage investment trusts in socio-economic infrastructure development of the locality. Local development investment funds can raise capital from both domestic and international organizations and individuals.

- According to the survey results, the quality of AML controls investment funds is low. Factors such as their staff's AML knowledge and compliance, AML supervision, and the effectiveness of monitoring and reporting STRs are all at low. Other factors such as the availability of independent information sources, identification infrastructure, availability of beneficial ownership information, and the availability and effectiveness of entry controls are at Medium high, and the AML legal framework is at high. However, the products of these institutions are managed by local departments and agencies, so they generally pose minimal risk of money laundering.

Therefore, the level of ML vulnerability in this sector is rated as MEDIUM.

7. Cooperative Development Support Fund¹³⁴

7.1. Legal Regulations on Organization, Operations, and Licensing

Decree 45/2021/ND-CP dated March 31, 2021, on the establishment, organization, and operation of the Cooperative Development Support Fund.

7.2. Operational Situation

Based on the research results and surveys for Cooperative Development Support Funds in 63 provinces and cities (based on 21 survey responses out of a total of 63 issued), the findings are:

- The number of localities that have established a Cooperative Development Support Fund: 49.

- Estimated total asset scale: nearly VND 1,700 billion (including both central and local support funds), with an average scale of over VND 31 billion per fund.

- Transaction volume: According to reports from the funds, transaction volume is very low annually, with the total number of transactions reported (information is incomplete due to the low number of collected responses) ranging from 80-130 times/year from 2018 to 2021. The total transaction volume of each year has not exceeded VND 100 billion.

¹³⁴ A cooperative fund is an out-of-budget state financial fund that operates adopting the business model of a single-member limited liability company 100% of charter capital of which is held by the State or a financial organization that operates adopting the cooperative business model, capital preservation and growth principles, for not-for-profit purposes, and has autonomy in raising and using capital for granting loans to cooperatives, cooperative unions, and members of artels and cooperatives in accordance with regulations herein and relevant laws.

- Network of operations: The Cooperative Development Support Funds operate both at the central level and in localities. However, currently, only 49 out of 63 provinces and cities have established funds. Some ineffective funds have been dissolved, and some new funds are awaiting licensing and have not yet started actual operations.

- Main services and products provided:

- + Receive, manage and use capital from domestic and foreign sources, financial supports, aids, contributions and entrusted capital of domestic and foreign entities.

- + Raise capital from domestic entities in accordance with regulations

- + Provide loans to clients in accordance with regulations.

- + Provide financial and investment consultancy; provide training for clients getting loans from the fund in accordance with regulations of law.

- + Offer and receive trusteeship in accordance with regulations.

- Licensing and supervision authorities:

- + Provincial People's Committees decide on the establishment of Cooperative Development Support Funds, regulate the organizational structure, approve the operational charter of the funds, directly manage their activities, and make decisions on other issues within their authority as stipulated in Decree 45/2021/ND-CP and current laws. They are responsible for comprehensive inspection, supervision, and monitoring of the local cooperative funds.

- + The Ministry of Finance performs state management functions related to financial management mechanisms and evaluates the effectiveness of cooperative funds; guides financial issues during restructuring and transitioning the operational model of Cooperative Funds; provides accounting regulations for cooperative funds as regulated; and coordinates with ministries, the Vietnam Cooperative Alliance, Provincial People's Committees, and relevant units to complete, amend, and supplement legal documents on the organization and operation of cooperative funds for submission to competent authorities for issuance or issuance according to authority.

- Number of money laundering cases: Currently, there are no money laundering cases related to Cooperative Development Support Funds in Vietnam.

7.3. Assessment of the ML Vulnerability

A cooperative fund is an out-of-budget state financial fund that operates adopting the business model of a single-member limited liability company 100% of charter capital of which is held by the State or a financial organization that operates adopting the cooperative business model, capital preservation and growth principles, for not-for-profit purposes, and has autonomy in raising and using capital for

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granting loans to cooperatives, cooperative unions, and members of artels and cooperatives in accordance with Decree No. 45/2021/ND-CP dated March 31, 2021, on the establishment, organization, and operation of the Cooperative Development Support Fund and related laws. A cooperative fund shall have legal personality, charter capital and seal, and may open accounts at the State Treasury and commercial banks lawfully operating in Vietnam in accordance with regulations of law. The cooperative fund is established, organized, operated, bankrupt, and dissolved in accordance with Decree No. 45/2021/ND-CP and related laws corresponding to the operational model if not specified in Decree No. 45/ND-CP.

According to the survey results, most of the funds are newly established, so the quality of AML controls in this group of funds is limited. However, factors such as the availability of independent information sources, identification infrastructure, the availability and access to beneficial ownership information, and the effectiveness of industry entry controls are at high, and the AML legal framework is also high. This indicates that the primary cause of the low quality of AML controls is due to the funds themselves not implementing or inadequately implementing AML measures as required by law.

Therefore, the ML vulnerability in this sector is rated as MEDIUM.

8. Payment Intermediary Service Providers¹³⁵

8.1. Legal Regulations on Organization, Operation, and Licensing

- ***Regarding Issuance and Revocation of Licenses:*** The SBV has the authority to “issue and revoke licenses for payment intermediary service providers that are not banks” (Article 4 of the Law on the State Bank of Vietnam, Clause 3 of Article 5 of Decree No. 101/2012/ND-CP dated November 22, 2012, on cashless payments (as amended and supplemented)).

- ***Regarding Management and Supervision of Payment Intermediary Services:*** The SBV is responsible for state management of cashless payments, including supervising payment intermediary service providers (Clause 3 of Article 5 of Decree No. 101/2012/ND-CP (as amended and supplemented)).

- ***Regarding Inspection of Payment Intermediary Service Providers:*** Payment intermediary service providers that are not banks are subject to inspection by the SBV (Article 52 of the Law on the State Bank of Vietnam, Article 2 of Decree No. 26/2014/ND-CP dated April 7, 2014, on the organization and operation of banking inspection and supervision (as amended and supplemented), Article 4 of Circular No. 03/2015/TT-NHNN dated March 20, 2015, by the SBV’s Governor

¹³⁵ This content only pertains to non-bank organizations that have been granted a license by the State Bank of Vietnam to provide payment intermediary services. Payment intermediary services include the provision of electronic payment infrastructure services (financial switching services, electronic clearing services, electronic payment gateway services) and support services for payment services (collection and disbursement support services, electronic money transfer support services, and electronic wallet services).

guiding the implementation of certain provisions of Decree No. 26/2014/ND-CP, and Article 20 of Circular No. 39/2014/TT-NHNN dated December 11, 2014, by the SBV's Governor guiding payment intermediary services (as amended and supplemented)).

- **Regulations on Payment Intermediary Services:** Decree No. 101/2012/ND-CP (as amended and supplemented), Circular No. 39/2014/TT-NHNN dated December 11, 2014 (as amended and supplemented).

- **Regulations on AML:** Although there is a legal framework for AML concerning payment intermediary activities, the application of AML measures for these activities is only regulated in by-law documents¹³⁶, which does not fully ensure effectiveness. Thus, the Anti-Money Laundering Law of 2022 has added reporting entities as financial institutions licensed to provide payment intermediary services and supplemented suspicious activities in the payment intermediary sector.

8.2. Operational Situation

Payment intermediary services have experienced significant growth in terms of scale, transaction volume, and network. As of the first half of 2022, there are 48 payment intermediary service providers (a 92% increase in the number of organizations compared to the end of 2018). The transaction volume through payment intermediary services has grown annually. Specifically:

- Total Transaction volume of Payment Intermediary Services¹³⁷ (from 2018 to the first half of 2022):

Unit: VND billion

Year	Financial Switching/ Clearing Services ¹³⁸	Electronic Payment Gateway Services	Collection and Disbursement Support Services	E-Wallet Services	Electronic Money Transfer Support Services
2018	1,754,416	46,892	64,495	91,061	121,327
2019	4,964,162	67,618	120,794	161,775	219,989

¹³⁶ Clause 2, Article 1 of Decree No. 87/2019/ND-CP dated November 14, 2019, of the Government supplements Clause 3 to Article 2 of Decree No. 116/2013/ND-CP dated October 4, 2013, of the Government, which details the implementation of certain provisions of the Anti-Money Laundering Law. It stipulates: "Payment intermediary service providers must apply anti-money laundering measures in accordance with anti-money laundering laws, similar to the reporting entities that are financial institutions as specified in Clause 3, Article 4 of the Anti-Money Laundering Law."

¹³⁷ The value of transactions successfully processed for each service. Specifically, for electronic wallet services, only the value of payment successfully processed and money transfer transactions is reported (excluding transactions for depositing money into e-wallets or withdrawing money from e-wallets).

¹³⁸ The value of transactions successfully processed through financial switching services is equal to the value of transactions successfully processed through electronic clearing services.

2020	10,712,077	110,610	321,116	137,376	224,507
2021	24,998,969	150,329	495,771	240,318	277,952
First 6 months of 2022	22,219,715	110,237	390,814	225,746	147,199

Source: Reports from payment intermediary service providers

- Ratio of transaction volume/GDP¹³⁹:

Year	Financial Switching/ Electronic Clearing to GDP	Electronic Payment Gateway to GDP	Collection and Payment Support Services to GDP	E-Wallet Services to GDP	Electronic Money Transfer Support to GDP
2018	24.54%	0.66%	0.90%	1.27%	1.70%
2019	65.02%	0.89%	1.58%	2.12%	2.88%
2020	135.48%	1.40%	4.06%	1.74%	2.84%
2021	304.49%	1.83%	6.04%	2.93%	3.39%

Operational Network: Payment intermediary services are provided across Vietnam, not just in major cities but also increasingly in rural, remote, and isolated areas. By leveraging an existing customer base (from some multi-industry organizations), expanding the network of merchants, and offering competitive service fees, the number of customers using payment intermediary services is steadily increasing.

- Survey results from payment intermediary providers (based on 41 responses out of 48) show that, since the enforcement of Decree No. 87/2019/ND-CP, these organizations have generally implemented legal regulations on AML. Specifically:

+ 37/41 organizations have established internal AML regulations being compliant with AML laws¹⁴⁰, while 4/41 are still developing and expect to complete them in 2022.

¹³⁹ Source: According to the World Bank, the conversion exchange rate is provisionally calculated based on the USD transfer rate of the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) at the end of each year.

¹⁴⁰ The Anti-Money Laundering Law, Decree 116/ND-CP dated October 4, 2013, of the Government detailing the implementation of certain provisions of the Anti-Money Laundering Law (as amended and supplemented), and Circular 35/2013/TT-NHNN dated December 31, 2013, guiding the implementation of certain regulations on anti-money laundering (as amended and supplemented).

+ 41/41 organizations have developed AML training programs for their staff; among them, 38/41 reported that they have conducted internal training for 100% of relevant staff, and 31/41 organizations have tested employees on AML practices. Compared to the 2018 survey¹⁴¹, it can be seen that these organizations have put more emphasis on building, implementing, and improving AML training quality. However, in practice, these organizations have only recently started applying AML measures like other reporting entities, so there are still some limitations in training quality and AML knowledge compared to other reporting entities.

+ Only 1/41 organization has detected staff violating AML regulations with signs of lacking integrity in operating transactions.

+ 34/41 organizations have conducted customer due diligence according to the blacklist from the Ministry of Public Security. Compared to the 2018 survey¹⁴², customer identification practices at payment intermediary service providers have shown initial improvement.

- Licensing and supervision authorities: The SBV (Payment Department, Banking Supervisory Agency).

- Number of money laundering cases: Currently, there are no money laundering cases involving payment intermediary providers in Vietnam.

8.3. Assessment of ML Vulnerability

According to the survey results, the quality of AML controls at payment intermediary service providers is at high. Although the understanding of AML among staff involved in relevant tasks, the commitment of leadership, and the effectiveness of compliance departments are all very high, in practice, the effectiveness of monitoring STRs is only at a medium due to the relatively low number of STRs reported by payment intermediary service providers.

Therefore, the ML vulnerability in this sector is rated as MEDIUM.

9. Pawn Shops¹⁴³

9.1. Legal Regulations on Organization, Operation, and Licensing

Decree No. 96/2016/ND-CP of the Government dated on July 1, 2016, on security and order conditions for certain conditional business sectors.

9.2. Operational Situation

¹⁴¹ According to the 2018 survey results, only 7 out of 17 reporting entities had conducted self-training for 100% of staff involved in AML tasks and had conducted employee's AML-related assessments.

¹⁴² According to the 2018 survey results, only 10 out of 17 reporting units had conducted customer identification based on the Ministry of Public Security's blacklist.

¹⁴³ Pawn company/shop: a business providing loan services where the borrower must bring legally owned assets to the pawnshop as collateral.

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The survey results of pawn shops in 63 provinces and cities (based on 55 survey responses out of 63 distributed) show that:

- Number of pawn shops in Vietnam: According to the survey by the research team across 55 provinces/cities, the number of pawnshop (F88, Người bạn vàng, Vietmoney, Srisawad, Cầm đồ nhanh, BFC, etc.) is not significant and is primarily registered in two major cities, Hanoi and Ho Chi Minh City. These large pawn companies have branches, stores, and offices in many provinces and cities nationwide. However, it is still mostly in the form of individual businesses registered as pawn shops (referred to as pawn shops), with nearly 30,000 pawn shops nationwide (about 3,000 in Hanoi and Ho Chi Minh City alone). Major cities like Hai Phong, Da Nang, Khanh Hoa, An Giang, Quang Ninh, etc., also have 500 - 1,000 pawn shops. The number of pawn shops in each locality varies, ranging from 120 to 300 per area.

- Capital Scale: There is a significant difference between large pawn companies and individual pawn shops in terms of capital. Large companies like F88 have raised hundreds of billions of VND from international financial organizations such as Lendable Group, Mekong Enterprise Fund III (managed by Mekong Capital), and Granite Oak. In contrast, individual pawn shops typically have capital ranging from 100 to 500 million VND.

- Total Transaction Volume: The transaction volume of pawn shops in areas outside major cities and provincial cities is usually very limited, generally ranging from 500 million to 1 billion VND per year. Shops in city centers usually have transaction volume ranging from 1 to 3 billion VND per year.

- Ratio of transaction Volume/GDP: No statistical data available.

- Network: Pawn shops primarily operate in the provinces and cities where they are located. Pawn shops do not have branches operating abroad.

- Main Services Provided: Loans based on collateralized assets.

- Licensing and Supervision Authorities:

- + The Department of Planning and Investment is responsible for business registration and operation licensing for pawn companies.

- + The district-level business registration authority licenses pawn shops.

- + The police authority at the district level or the Fire Prevention and Fighting Police Department under the Police Department for Fire Prevention and Fighting is responsible for licensing fire safety operations for pawn companies and shops.

- + Local police where the pawn shop is located are responsible for inspecting and supervising the shop's operations.

- Number of Money Laundering Cases: According to local police reports, there are currently no money laundering cases related to pawn companies/shops in Vietnam.

9.3. Assessment of ML Vulnerability

Pawn services are experiencing robust growth, with many pawn companies beginning to develop into a nationwide network. However, pawn activities are still predominantly carried out by individual businesses providing pawn services. These services are often accompanied by other business activities under special supervision by authorities, such as high-interest lending and pledging assets that are not eligible for pawning.

According to the survey results, the proportion of pawn shops complying with AML regulations has changed significantly. While in 2018, most pawn shops had not implemented AML regulations, the current survey indicates that most are now aware of the relevant legal requirements, even in remote areas. This change is due to the convenience of accessing related documents and regulations through Vietnam's internet system, frequent education on AML in the media, and the police's implementation of national AML programs under their responsibility, which has noticeably improved effectiveness.

Furthermore, the majority of pawn activities arise from individual needs, with only a small portion involving assets obtained through criminal activities. Pawn shops are generally very small, and while some pawn companies have capital reaching hundreds of billions, it is distributed across hundreds of transaction points, making each point of transaction also quite small.

Therefore, the ML vulnerability in this sector is assessed as HIGH.

10. Informal Money Transfer Channels

10.1. Research Findings

Research shows that there are currently two common informal channels for remitting funds in and out of Vietnam. Firstly, money can be sent by asking someone to carry cash across borders or through customs to deliver to relatives, typically for small amounts that do not exceed the declaration threshold. Secondly, money is transferred through intermediaries in two different countries (regions).

With Vietnam's deep international integration, the number of Vietnamese studying abroad in developed countries is rapidly increasing, and the number of laborers going abroad for work is also recovering after the COVID-19 pandemic. According to information from the Government Electronic Newspaper (October 5, 2022), by the end of September 2022, the total number of Vietnamese workers abroad was 103,026. The People's Newspaper (June 29, 2022) reports that approximately 500,000 Vietnamese workers are currently in Japan. Additionally,

there are millions of Vietnamese expatriates in countries like the USA, France, and Eastern Europe.

Thus, many Vietnamese want to transfer money abroad for their relatives to cover educational expenses, and many overseas Vietnamese need to send money back home but face high fees from banks in those countries. To meet the demand on both sides, informal money transfer channels are established without physically moving money across borders. This is why informal money transfer fees are often low or even free. While customers must provide full information and pay fees to receive remittances at banks, informal money transfer companies do not require such declarations, offer free services, and may even deliver money to the recipient's home.

10.2. Operational Situation

Underground remittance networks to Vietnam are common among communities in countries with a large number of Vietnamese laborers, such as Taiwan, South Korea, and Japan. These networks have extensive connections in provinces with a high number of labor export workers and operate quite professionally.

Recently, Vietnamese authorities have uncovered several cases of cash being smuggled across borders. Specifically, the Hanoi People's Procuracy has just completed an indictment prosecuting 13 defendants for the crime of “Illegally transporting goods and currency across borders”. These defendants are accused of transferring VND 30 trillion abroad. On September 16, 2022, Ho Chi Minh City Customs Department reported that they had inspected and promptly prevented an illegal foreign currency transfer abroad, seizing foreign currency amounting to one million USD as evidence; In January 2022, authorities in An Giang Province discovered and seized a large quantity of smuggled gold and foreign currency being transferred illegally. These cases are just the visible part of a larger issue that authorities have not yet fully uncovered or addressed.

10.3. Assessment of the ML Vulnerability

Depending on each country's regulations, this form of money transfer may be considered 'informal' or 'illegal' in some places. In practice, there have been cases where unofficial money transfers have been prosecuted. In Vietnam, all business activities related to payment must be licensed. Additionally, one of the prohibited actions under Article 7, Clause 4 of the Anti-Money Laundering Law is 'Providing unauthorized services for receiving cash, checks, other monetary instruments, or value storage instruments, and making payments to beneficiaries at a different location.'

In practice, it is very difficult to prosecute this as illegal money transfer, as both the sender and receiver can simply claim that they are asking relatives to bring the money on their behalf. Although these transfers are susceptible to abuse by money laundering criminals, they mainly serve to reduce transfer costs for low-

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income laborers going abroad or for families sending children to study overseas. Some detected cases are small in scale; the VND 30 trillion transfer abroad took place over several years and was related to informal trade payments between groups, so the risk of money laundering exploitation is not high.

Based on the above, it can be concluded that the ML vulnerability for this sector is HIGH MEDIUM.

III. Conclusion

Based on the analysis results, the money laundering risk for all other financial institutions is MEDIUM, with pawnshops and informal money transfer systems being the two groups with higher risk (MEDIUM-HIGH). Fundamentally, the money laundering risk for other financial institutions has not changed much compared to Vietnam's 2018 assessment. Most of the assessed institutions have improved due to the implementation of legal regulations, enhanced anti-money laundering inspection and supervision which were very limited before 2018, increased training and awareness, and some money laundering cases brought to trial, which have had a significant impact on the awareness of organizations and staff in performing anti-money laundering tasks.

In each group, the main limitations are still primarily the AML knowledge of staff in Enterprises/Organizations; the effectiveness of monitoring and reporting suspicious activities; and the availability and access to beneficial ownership information.

Overall, these groups do not require any special implementation measures.

CHAPTER 7: MONEY LAUNDERING VULNERABILITY OF DNFBPs SECTORS

Organizations and individuals engaged in non-financial business activities (DNFBPs) are designated as one of the reporting entities under the AML Law¹⁴⁴. This reporting entity group includes organizations and individuals carrying out one or more of the following activities:

- Trading in prize games, casinos.
- Doing real estate management service business; doing real estate brokerage service business; and real estate trading floors.
- Dealing in precious metals and precious stones.
- Providing notary, account services; legal service of organizations providing lawyer services.
- Providing the services of investment trust, establish, management, operating company, company's secretariat and manager to third parties.

To assess the vulnerability of DNFBPs in Vietnam, the assessment team conducted several activities as follows:

- Research on legal documents and regulations of the industry/sector.
- Collection of data, documents from state management agencies, law enforcement agencies, and organizations within the DNFBPs sector.
- Discussions, meetings with organizations within the DNFBPs sector and regulatory agencies.

Based on the information and data collected, the assessment team synthesized, discussed, analyzed, and provided scoring levels for each assessment criterion to run the model provided by the World Bank. After reviewing the model's output results and combining them with the team members' insights based on experience and practical implementation of state management in related fields, the assessment team synthesized and provided assessment levels for each DNFBPs sector in Vietnam with specific explanations as presented below.

Industry/Field	Money Laundering Vulnerability
Trading in prize games, casinos	Medium
Doing real estate management service business; doing real estate brokerage service business; and real estate trading floors	Medium High

¹⁴⁴ The Law on Anti-Money Laundering (AML) No. 07/2012/QH13 dated June 18, 2012.
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Dealing in precious metals and precious stones	Medium
Providing notary, account services; legal service of organizations providing lawyer services	Medium Low
Providing account services	Medium Low
Providing the services of investment trust, establish, management, operating company, company's secretariat and manager to third parties	Medium

I. Gaming and Casino Business Sector for Foreigners

1. Introduction

To meet the entertainment needs of foreigners investing, doing business, and traveling in Vietnam, the government has allowed pilot operations of prize-winning gaming activities exclusively for foreigners since 1992. These activities include: (i) Operating gaming machines in some large hotels (prize-winning electronic gaming for foreigners); and (ii) Operating table games and machine games (casino business).

As of now, the government has issued Decree No. 03/2017/NĐ-CP dated January 16, 2017, on casino business and Decree No. 121/2021/NĐ-CP dated December 27, 2021, on prize-winning electronic gaming for foreigners (Decree No. 121/2021/NĐ-CP). Accordingly, only customers with foreign passports who legally enter Vietnam are allowed to participate in gaming activities at prize-winning electronic gaming venues and casinos. The Ministry of Finance is the responsible authority for licensing and supervising prize-winning electronic gaming and casino business activities in Vietnam.

Regarding prize-winning electronic gaming business activities: As of December 31, 2022, the Ministry of Finance has issued 55 certificates of eligibility for businesses, including 41 new applications, 08 re-issued certificates according to the transfer regulations, and 06 revoked certificates due to failure to conduct business within the specified period after being granted a license. These businesses mainly operate in 03 major cities: Hanoi (12 gaming venues), Ho Chi Minh City (15 gaming venues), and Khanh Hoa province (09 gaming venues). The distribution ratio of the 62 operating gaming venues is as follows: the Southern region has 24 gaming venues, accounting for 38.7%; the Northern region has 19 gaming venues, accounting for 30.6%; and the Central region has 19 gaming venues, accounting for 30.6%.

Regarding casino business activities: During the period of 2018-2022, 02 new casino projects have been licensed, including the Phu Quoc casino project in Kien Giang province operating since January 2019 and the Nam Hoi An casino project in Quang Nam province operating since May 2020. Currently, there are 09 casino business projects operating nationwide, including: 06 small-scale casino projects

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with 1,013 machines and 204 gaming tables in provinces and cities such as Lao Cai, Quang Ninh, Hai Phong, Da Nang; and 03 large-scale casino projects in Ba Ria - Vung Tau province, Kien Giang province, and Quang Nam province.

The vulnerability to money laundering of the gaming and casino business sector for foreigners is assessed as: **MEDIUM**.

This result is based on the assessment of 02 components, including: Part 1, assessing the effectiveness of implementation of variables related to AML measures; and Part 2, assessing the inherent money laundering vulnerabilities of the industry, with the summarized results as follows:

Part 1: Assessment for General Input Variables	Assessment
1. Comprehensiveness of AML Legal Framework	High
2. Effectiveness of Supervision/Oversight Activities	Medium
3. Availability and Enforcement of Administrative Sanctions	Medium High
4. Availability and Enforcement of Criminal Sanctions	Medium High
5. Availability and Effectiveness of Entry Controls	High
6. Integrity of Business/Profession Staff	Medium
7. AML Knowledge of Business/Profession Staff	Medium Low
8. Effectiveness of Compliance Function (Organization)	Medium Low
9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources	Medium Low

Part 2: Assessment for the Inherent Vulnerability Variables	Assessment
Gaming and Casino Business Sector for Foreigners	Medium

2. Analyzing the vulnerability to money laundering in the sector of prize-based electronic gaming for foreigners and casinos

2.1. Analysis of the effectiveness of implementing variables related to AML measures:

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2.1.1. Comprehensiveness of AML Legal Framework

The gaming and casino business sector for foreigners falls within the regulatory scope of the AML law, thus necessitating compliance with AML regulations. These regulations include those pertaining to customer identification, the collection, updating, verification of customer identification information, and obligations regarding the establishment of internal regulations and reporting, provision, storage of AML information and records.

The specialized legal framework for the gaming¹⁴⁵ and casino¹⁴⁶ business sector provides specific provisions regarding AML for businesses operating in this field (issuance of internal regulations on AML, implementation of regular reporting regimes, enforcement of penalties for administrative violations, etc.). Licensing conditions, financial management, foreign exchange transactions, reporting requirements, and the responsibilities of ministries, sectors, and localities in supervising, inspecting, and conducting regular/periodic and ad hoc inspections, including compliance with internal AML regulations, are outlined. Furthermore, behaviors related to violations of AML provisions, counter-terrorism measures, and penalties for administrative violations are regulated under Decree No. 137/2021/NĐ-CP dated December 31, 2021, on penalties for administrative violations in the betting and prize-winning gaming business sectors, which are stringent and enforced.

Therefore, the legal framework for the gaming and casino business activities in Vietnam related to anti-money laundering prevention and supervision measures is assessed as comprehensive and coherent, aligning with the anti-money laundering standards of the Financial Action Task Force (FATF).

2.1.2. Effectiveness of Supervision/Oversight Activities

The AML law stipulates the responsibilities of the Ministry of Finance in AML activities, including inspection and supervision of AML activities for reporting entities within the gaming and casino business sector.

Decree No. 03/2017/NĐ-CP dated January 16, 2017, on casino business and Decree No. 121/2021/NĐ-CP dated December 27, 2021, on prize-winning electronic gaming for foreigners outline the responsibilities of the Ministry of Finance, which include inspection, examination, and handling of legal violations related to casino and prize-winning electronic gaming activities. These responsibilities involve leading coordination with relevant ministries and sectors to conduct inspections every three years. Additionally, they specify the responsibility of provincial People's Committees in directing relevant agencies within their jurisdictions to implement management, supervision, and inspection of casino and prize-winning electronic

¹⁴⁵ Decree No. 121/2021/NĐ-CP dated December 27, 2021, on the business of prize-winning electronic games for foreigners, and Circular No. 39/2022/TT-BTC dated June 24, 2022, providing guidance on certain provisions stipulated in Decree No. 121/2021/NĐ-CP.

¹⁴⁶ Decree No. 03/2017/NĐ-CP dated January 16, 2017, on casino business, and Circular No. 102/2017/TT-BTC dated October 5, 2017, providing guidance on certain provisions stipulated in Decree No. 03/2017/NĐ-CP [Type here]

gaming activities regularly and continuously, ensuring compliance with AML provisions.

The results of inspection and supervision activities on AML during the period from 2018 to 2022 are as follows:

In 2018 and 2019, the Ministry of Finance, in coordination with relevant ministries and sectors, organized regular inspections every three years, examining 19 prize-winning electronic gaming enterprises and 04 casino businesses. The inspection results showed that, for the most part, the enterprises met the conditions for prize-winning electronic gaming and casino operations. Some errors related to the establishment of AML regulations were identified and addressed by the inspection team.

In 2022, according to the plan outlined in Decision No. 564/QĐ-BTC dated April 15, 2022, the Ministry of Finance, in coordination with relevant ministries and sectors, inspected 18 prize-winning electronic gaming enterprises and 02 casino businesses.

2.1.3. Availability and Enforcement of Administrative Sanctions

Regarding the prize-winning electronic gaming sector, Government Decree No. 137/2021/NĐ-CP dated December 31, 2021, stipulates administrative penalties for violations in the betting and prize-winning electronic gaming business sectors. These penalties specifically address violations related to AML regulations, anti-terrorism measures, including violations concerning customer identification, updating customer information, risk classification of customers, internal AML regulation violations, reporting of high-value transactions, suspicious transactions, reporting of terrorist financing activities, and prohibited activities in AML, anti-terrorism financing. Additionally, some administrative violations regarding AML in casino business operations fall under the jurisdiction of Government Decree No. 88/2019/NĐ-CP dated November 14, 2019, regulating administrative penalties in the monetary and banking sectors.

The legal provisions on administrative penalties include fines and additional penalties such as revocation of the Certificate of Eligibility for Business Operations.

In 2018 and 2019, the total amount of administrative fines imposed was 1,219 million VND, but there were no penalties specifically related to AML violations.

2.1.4. Availability and Enforcement of Criminal Sanctions

Vietnam has a comprehensive legal framework to penalize criminal money laundering offenses. Article 324 of the 2015 Penal Code (amended and supplemented in 2017) specifies the crime of money laundering:

Individuals engaging in any of the money laundering activities will be subject to imprisonment, with a penalty range from 01 to 05 years. If there are aggravating factors, the penalty range will be from 05 to 10 years. Additional measures include

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finances, prohibition from holding positions, prohibition from engaging in certain professions, or seizure of part or all of assets.

Those who prepare to commit the crime are also subject to imprisonment, with a penalty ranging from 01 to 05 years. Aiding and abetting money laundering can be prosecuted as an accomplice to the money laundering offense.

Currently, there is no information available on money laundering cases related to the prize-winning electronic gaming for foreigners and casino business sectors.

2.1.5. Availability and Effectiveness of Control Measures for Entry into the Sector

According to the provisions of Article 39 of Decree No. 121/2021/ND-CP dated December 27, 2021, the Ministry of Finance is responsible to the Government for state management of prize-winning electronic gaming for foreigners and casino businesses. This includes:

a) Issuing and guiding the implementation of legal documents within the scope of legal regulations on prize-winning electronic gaming businesses.

b) Granting, reissuing, adjusting, extending, and revoking Certificates of Eligibility for prize-winning electronic gaming businesses according to the provisions of this Decree.

c) Inspecting, examining, and handling violations of the law on prize-winning electronic gaming businesses as prescribed by this Decree and laws on administrative penalties in the field of gaming.

Decree No. 121/2021/ND-CP provides regulations on licensing procedures, including requirements regarding AML for enterprises engaging in prize-winning electronic gaming. Specifically, the application dossier for a Certificate of Eligibility for business operations must include, among other documents, the Draft Internal Management Regulations, organization of the Internal Control Department, internal regulations on AML, and a list of qualifications, records of qualifications, and work experience demonstrating the professional competence of managers and operators. Within 15 days from the date of receiving a valid dossier, the Ministry of Finance sends the dossier for comments from relevant agencies, including the State Bank of Vietnam (SBV). Performing the responsibility of "Coordinating with relevant agencies, organizations, and individuals to implement AML measures in prize-winning electronic gaming business activities as prescribed by law," the SBV carefully reviews the application dossier to ensure compliance with AML regulations and submits opinions to the Ministry of Finance to decide on licensing.

Thus, the current rules and regulations appropriately require measures to prevent crime from being licensed to engage in prize-winning electronic gaming businesses.

In 2022, the Ministry of Finance chaired and coordinated with relevant ministries, branches, and local People's Committees to issue 05 Certificates of Eligibility for business operations and adjust 03 Certificates of Eligibility for business operations. As of December 31, 2022, the Ministry of Finance had issued 55 Certificates of Eligibility for business operations, including 41 newly issued, 08 reissued according to the transfer provisions, and 06 revoked due to failure to implement business operations within the specified period after being granted a permit.

2.1.6. Integrity of Employees within the Enterprise/Industry

No collusion with criminals or assistance in criminal activities has been detected.

According to the provisions of Article 39 of the AML Law regarding reporting responsibilities, providing information, documents, and reports, the performance of STRs by employees of enterprises engaged in prize-winning electronic gaming or providing information to competent authorities as required by this Law is not considered a violation of the legal provisions on ensuring the confidentiality of information.

2.1.7. AML Knowledge of Business/Profession Staff

During the period from 2018 to 2022, to enhance the knowledge of anti-money laundering among employees within the enterprise, the Ministry of Finance, in coordination with the State Bank of Vietnam (SBV) (AML Department), organized a training course on July 18, 2019, at the headquarters of the SBV in Ho Chi Minh City. Additionally, training and exchange sessions were organized for reporting entities, including enterprises engaged in prize-winning electronic gaming and casinos, from October 23, 2019, to October 31, 2019, in Hanoi and Ho Chi Minh City. The propaganda and dissemination sessions on AML laws organized by the SBV were attended by enterprises in the industry.

Enterprises are required to establish and disseminate internal regulations on AML for relevant departments, officials, and employees (Article 16 of Decree No. 121/2021/ND-CP). As per the requirements of internal regulations on AML, enterprises must conduct training and capacity-building in AML for their employees. Interdisciplinary inspections have shown that enterprises are aware of and understand their duties and obligations in preventing money laundering.

2.1.8. Effectiveness of Compliance Department

According to the aggregated report data from the AML Department, during the period from 2018 to 2022, the AML Department received and processed 24 STRs and 62,999 high-value transactions reported by enterprises engaged in prize-winning electronic gaming and casinos as required. It can be seen that the number of STRs from enterprises operating in the field of prize-winning electronic gaming is relatively low compared to other sectors and industries in the economy.

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2.1.9. Availability and Access to (i) Beneficial Ownership Information Sources, (ii) Customer Identification Information Sources, (iii) Other Independent Information Sources

The availability and easy access to information sources regarding beneficial ownership, customer identification, or other independent sources (such as credit information, audit information, tax payment information) will support reporting entities in identifying customers.

When participating in prize-winning electronic gaming, players are required to undergo a customer identification process. Since the eligible players allowed to play at casino venues include foreigners and Vietnamese residents abroad with valid foreign passports issued by competent authorities of foreign countries, or valid entry permits for legal entry into Vietnam, players typically submit their passports for customer identification. Therefore, according to the procedures, players are required to submit their passports before entering the casino or at least before being allowed to play.

According to the provisions of Article 21 of the AML Law on transparency of legal entities, the business registration agency, the licensing authority for the establishment and operation of enterprises engaged in prize-winning electronic gaming, must update and store basic information of legal entities, including information on beneficial owners of enterprises (if any). This information must be stored for at least 05 years after the legal entity ceases its operations in accordance with the law. Enterprises engaged in prize-winning electronic gaming are responsible for collecting, updating, and storing their basic information, including lists of managers, charters, and beneficial owners. According to the regulations of the specialized legal framework, individuals holding controlling stakes in casino businesses are also required to undergo an appropriate screening system, including checking their records and judicial profiles.

On January 6, 2022, the Prime Minister signed Decision No. 06/QĐ-TTg approving the Project "Development of Population Data, Identification, and Electronic Authentication Applications to Serve the National Digital Transformation Phase 2022 - 2025, with a Vision to 2030." The Project has positive implications for promoting digital economic and social development, preventing risks, and contributing to the enhancement of AML activities by piloting electronic customer authentication solutions via national identification cards.

2.2. Assessment for the Inherent Vulnerability Variables

2.2.1. Overall scale of the industry/sector:

As of December 31, 2022, there are 57 enterprises engaged in electronic gaming with rewards and 9 operating casinos nationwide. However, statistical data over the years shows that the contribution of revenue and state budget payments from

the electronic gaming and casino industry to the GDP is insignificant compared to the overall economic scale.

2.2.2. Characteristics of the customer base in the industry/sector:

According to the regulations in Decree No. 03/2017/ND-CP dated January 16, 2017, regarding casino business and Decree No. 121/2021/ND-CP dated December 27, 2021, regarding electronic gaming with rewards targeted at foreigners, only customers with foreign passports who legally enter Vietnam are allowed to participate in gaming activities at electronic gaming and casino venues. Vietnamese customers are only allowed to participate on a trial basis. Players receive prize money and are allowed to transfer or take their winnings abroad in foreign currency according to Vietnam's foreign exchange management regulations and the guidance of the State Bank of Vietnam. To manage players and comply with anti-money laundering regulations, enterprises are responsible for establishing and promulgating internal regulations on anti-money laundering to relevant authorities and disseminating these internal regulations to departments, officials, and employees involved.

2.2.3. Level of cash activity in the industry/sector:

According to Circular No. 11/2017/TT-NHNN dated August 30, 2017¹⁴⁷, issued by the Governor of the State Bank of Vietnam guiding the management of foreign exchange for casino business activities, enterprises engaged in casino business must open a dedicated foreign currency account for each type of foreign currency at a designated bank. This account is used exclusively for daily foreign currency receipts and disbursements in casino operations.

Given the nature of casino business activities, enterprises maintain a certain amount of foreign currency in cash reserves to meet the demands for prize payments and exchange to the designated currency for foreign players. The amount of cash in foreign currency reserves must be clearly recorded in the permit for foreign currency receipts and disbursements and other foreign exchange activities issued by the State Bank of Vietnam. In cases where casino enterprises need to adjust the level of cash in foreign currency reserves, approval from the State Bank of Vietnam is required. Any excess cash in foreign currency reserves beyond the prescribed level must be deposited into the dedicated account on the next working day following the day of excess receipt of foreign currency from casino operations to prevent money laundering activities.

Regarding the receipt and use of prize money by players, Vietnamese law clearly stipulates that: (i) Foreign players can receive prize money in foreign

¹⁴⁷ This circular has been replaced by Circular No. 09/2022/TT-NHNN dated July 12, 2022, issued by the Governor of the State Bank of Vietnam, providing guidance on foreign exchange management for prize-based electronic gaming activities for foreigners
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currency or Vietnamese dong; (ii) Vietnamese players can only receive prize money in Vietnamese Dong (cash or bank transfer).

To ensure proper management and prevent money laundering activities, Vietnamese law requires that the transfer of prize money in foreign currency to foreign players must be conducted through authorized banks. Additionally, the transportation of cash in foreign currency for prize payment abroad must be confirmed by authorized banks based on the prize-winning confirmation document, prize payment, and currency exchange issued by foreign players or casino enterprises (in cases where foreign players authorize the casino enterprise). Factors such as customers being non-residents and having high incomes, coupled with transactions conducted in cash, increase the susceptibility of the sector to potential vulnerabilities.

II. Doing real estate management service business; doing real estate brokerage service business; and real estate trading floors.

1. Introduction

The real estate market in Vietnam holds significant importance for the national economy and is attractive to both domestic and international investors. The large volume of transactions and stable prices make real estate one of the most important investment channels chosen by investors in Vietnam.

In Vietnam, real estate business activities include capital investment for construction, purchase, transfer, leasing, subleasing, lease-to-own real estate; real estate brokerage services; real estate trading floor services; real estate consulting or management services for profit purposes.

Entities operating in this sector include: real estate business organizations; real estate brokerage organizations, individuals; real estate trading floors, real estate management services. Among these, real estate trading floors and real estate brokerage organizations and individuals primarily operate as intermediaries in real estate transactions and are the most common real estate service businesses.

In Vietnam, real estate brokerage activities mainly involve connecting parties in real estate transactions such as buying, selling, transferring, leasing, subleasing, or lease-to-own real estate, where the intermediaries facilitate meetings and negotiations. Intermediaries generally do not bear responsibility for the outcomes of the agreements between parties; they earn commissions when real estate transactions are successfully concluded.

According to the provisions of Articles 77 and 78 of the Law on Real Estate Business 2014, "The Government uniformly manages state management on real estate business"; "The Ministry of Construction is responsible to the Government for carrying out state management functions on real estate business nationwide..."; Provincial People's Committees, centrally-run cities are responsible for "Implementing state management functions on real estate business within their respective localities."

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The susceptibility to money laundering in the real estate management service, real estate brokerage, and real estate trading floor businesses is assessed as: **MEDIUM HIGH**.

This result is based on the assessment of two components, including: Part 1, Assessment for General Input Variables, and Part 2, Assessment for the Inherent Vulnerability Variables, with the summarized results as follows:

Part 1: Assessment for General Input Variables	Assessment
1. Comprehensiveness of AML Legal Framework	High
2. Effectiveness of Supervision/Oversight Activities	Low
3. Availability and Enforcement of Administrative Sanctions	Low
4. Availability and Enforcement of Criminal Sanctions	Medium
5. Availability and Effectiveness of Entry Controls	Medium
6. Integrity of Business/Profession Staff	Medium High
7. AML Knowledge of Business/Profession Staff	Medium Low
8. Effectiveness of Compliance Function (Organization)	Low
9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources	Medium Low

Part 2: Assessment for the Inherent Vulnerability Variables	Assessment
Real estate management service, real estate brokerage, and real estate trading floor businesses	Medium High

2. Assessment for the Inherent Vulnerability Variables in Real Estate Service, Real Estate Brokerage, and Real Estate Trading Floors

2.1. Assessment of the effectiveness for the Inherent Vulnerability Variables related to AML measures

2.1.1. Comprehensiveness of AML Legal Framework

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The AML law has stipulated preventive measures. Reporting entities include organizations and individuals conducting non-financial business activities related to real estate, excluding leasing and real estate consulting services. Legal provisions on AML include regulations regarding customer identification, information gathering, updating, and verification, as well as requirements for internal regulations, reporting, provision, and storage of AML information and records.

According to the detailed regulations of the AML Law, real estate businesses, excluding leasing activities and real estate consulting services, must identify customers in brokerage activities for real estate transactions and property owners in property management activities.

Regarding legal regulations in the field, the relationship with AML work is governed by the Housing Law and the Real Estate Business Law 2014. These laws encourage all organizations and individuals to conduct real estate transactions through real estate trading floors to ensure transparency and the rights of all parties involved. (Transactions involving sales, transfers, leases, and lease-purchases of real estate are not required to be conducted through real estate trading floors).

2.1.2. Effectiveness of Supervision/Oversight Activities

The implementation of regulations in Decree No. 116/2013/ND-CP dated October 4, 2013, detailing the implementation of certain provisions of the AML Law, specifies the responsibilities of the Ministry of Construction in inspecting and examining AML activities of reporting entities engaged in real estate management services, real estate brokerage services, and real estate trading floors (now regulated in Article 52 of the AML Law 2022).

From 2018 to 2022, according to its assigned tasks, the Ministry of Construction conducted 30 inspections and imposed administrative penalties for violations (in 2018: 09 inspections; in 2019: 18 inspections; in 2022: 03 inspections) related to real estate business activities, real estate service provision, management and disclosure of information on housing and real estate markets, training and development of real estate brokerage knowledge, and operation of real estate trading floors.

In 2022, the Ministry of Construction issued 03 Decisions on inspecting compliance with legal provisions in the state management of housing and real estate business in the provinces of Thanh Hoa, Binh Dinh, and Thua Thien Hue, including some contents related to AML work in the real estate business sector (Decision No. 155/QD-BXD dated March 29, 2022; Decision No. 358/QD-BXD dated May 5, 2022; Decision No. 4861/QD-BXD dated June 10, 2022).

2.1.3. Availability and Enforcement of Administrative Sanctions

Article 26 of Decree No. 116/2013/ND-CP dated October 4, 2013, detailing the implementation of certain provisions of the AML Law, stipulates the responsibility of the Ministry of Construction in inspecting and examining AML [Type here]

activities of reporting entities engaged in real estate brokerage, real estate trading floors, and real estate management services in the real estate sector.

In Government Decree No. 16/2022/ND-CP dated January 28, 2022, on administrative sanctions in construction (replacing Decree No. 139/2017/ND-CP dated November 27, 2017, and Decree No. 21/2020/ND-CP dated February 17, 2020, on administrative sanctions in construction investment activities; exploitation, processing, trading of minerals for construction materials, production, and trading of construction materials; management of technical infrastructure works; real estate business, housing development, and management of housing and offices), no provisions were introduced regarding administrative sanctions for AML violations.

2.1.4. Availability and Enforcement of Criminal Sanctions

As analyzed in the assessment of the electronic gaming business and casino sector, Article 324 of the 2015 Penal Code (amended and supplemented in 2017) stipulates money laundering offenses, including administrative and criminal penalties.

In the successful prosecution of the first money laundering cases in Vietnam during the period from 2018 to 2022 and in prominent cases related to the predicate offenses of money laundering discussed above, most are associated with the real estate sector.

2.1.5. Availability and Effectiveness of Entry Controls

The Real Estate Business Law in 2014 stipulates those organizations and individual engaged in real estate brokerage services, real estate trading floors, and real estate management services must establish enterprises. Additionally, for enterprises engaged in real estate brokerage and trading floors, there must be at least 02 individuals holding real estate brokerage certificates. For those engaged in condominium management services or mixed-use building management services, they must meet the conditions as prescribed by the law on housing. To obtain a real estate brokerage certificate, individuals must undergo training and pass an examination covering basic knowledge, including AML content.

However, the conditions for establishing and operating real estate trading floors are still simple, without specific regulations on models or transaction processes through the floors, leading to some existing shortcomings and risks related to money laundering through real estate transactions, such as:

Money laundering through real estate could be one of the investment channels exploited by criminals because real estate investment is relatively convenient in comparison to other markets, with fewer restrictive procedures.

Real estate brokerage activities are not well-controlled; some real estate brokers lack professionalism and legal knowledge, and a large number of individuals work as "real estate brokers" without proper certification.

Real estate trading floors are formed and operated autonomously, lacking stability, and fail to adequately control information and legal aspects in real estate transactions, especially those involving corporate properties and investors. There are also instances of collusion among real estate trading floors to manipulate prices, causing market disturbances.

Tax policies regarding real estate usage and transactions fail to differentiate between users and investors, especially those engaged in frequent buying and selling, leading to speculation and hoarding of real estate.

Control over capital flows into the real estate sector is not strict, posing risks in credit for real estate, bond issuance, and stock trading by real estate businesses.

2.1.6. Integrity of Business/Profession Staff

Management and employees are expected to act with integrity in running their businesses and, in general, not allow their businesses to be exploited for illegal activities or money laundering. Their limited knowledge of money laundering risks and the absence of on-the-spot AML measures make the sector vulnerable and inadvertently conducive to money laundering activities. However, there is no evidence of collusion with or aiding and abetting criminal activities.

2.1.7. AML Knowledge of Business/Profession Staff

In 2019, the State Bank of Vietnam (SBV) collaborated with the Ministry of Construction to conduct a training course for the real estate brokerage and trading sector on May 31, 2019, at the Ministry of Construction's headquarters. In 2020, propaganda and dissemination courses for AML reporting entities involved participation from businesses in the sector.

2.1.8. Effectiveness of Compliance Function (Organization)

According to the aggregated data from the AML Department, during the period from 2018 to 2022, the AML Department received 06 internal audit reports on AML, 16 internal AML regulations, and 01 STRs from real estate brokerage, trading, and management advisory service businesses.

It is evident that the number of STRs received by the AML Department from the real estate business sector is very low compared to the industry's scale. This indicates that the effectiveness of compliance departments in anti-money laundering efforts among businesses operating in the real estate sector is low.

2.1.9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources

The government issued Decree No. 44/2022/ND-CP on June 29, 2022, regarding the establishment, management, and use of the information system on housing and real estate markets (replacing Decree No. 117/2015/ND-CP dated November 12, 2015, on the establishment, management, and use of the information

system on housing and real estate markets). Based on this, the Ministry of Construction has developed, managed, and utilized the information system on housing and real estate markets to facilitate information retrieval for real estate-related transactions. Real estate transactions often involve significant values; therefore, information about the parties involved in transactions is usually collected comprehensively (including full names, ID numbers, addresses).

2.2. Assessment for the Inherent Vulnerability Variables

2.2.1. Industry/sector Scale

Real Estate Trading Platforms:

During the 2019-2020 period, severely impacted by the COVID-19 pandemic, there were times when only about 20% of real estate trading platforms remained operational. In 2021, with adaptation and recovery, approximately 40% of these platforms continued operations. By 2022, with the real estate market picking up momentum, the activities of real estate trading platforms gradually returned to normal, with a significant increase in both customer inquiries and transactions compared to 2021. At present, most real estate trading platforms have resumed operations, and many new platforms have been established and are active. There are currently over 1,100 active real estate trading platforms nationwide.

Real Estate Brokerage Activities:

According to legal regulations on real estate business, individuals wishing to engage in brokerage activities must undergo training, pass examinations, and obtain certificates issued by local housing and real estate market management authorities.

According to reports from localities nationwide, from 2008 to the present, approximately 32,912 individuals have been granted certificates to engage in real estate brokerage activities. Therefore, real estate brokerage organizations and individuals are increasingly developing and playing an essential role in real estate trading activities, acting as intermediaries facilitating transactions such as buying, selling, transferring, leasing, and subleasing properties.

2.2.2. Characteristics of the Industry/sector Customer Base

According to the 2014 Housing Law, foreign organizations and individuals can own houses in Vietnam if they meet strict conditions. These conditions include: foreign organizations and individuals investing in housing construction projects in Vietnam must have an Investment Certificate and have houses built within the project according to legal regulations; foreign organizations operating in Vietnam must have an Investment Certificate or relevant documents permitting them to operate in Vietnam issued by competent Vietnamese authorities; foreign individuals must be allowed to enter Vietnam and not be entitled to diplomatic or consular privileges and immunities as stipulated by law. These conditions contribute to ensuring the legal status of foreign organizations and individuals when participating in the real estate

market. Therefore, foreigners are limited in their ownership rights in Vietnam. As a result, real estate transactions involving foreign organizations and individuals mainly focus on real estate projects.

2.2.3. Level of Cash Activity in the Industry/Sector

Currently in Vietnam, transactions in real estate projects between investors and real estate businesses are primarily conducted through banks. There is no requirement for real estate transactions to be conducted through real estate trading platforms. Civil real estate transactions (outside of real estate projects, accounting for the majority) especially those between individuals, are mainly settled in cash,

3. Conclusion

The vulnerability to money laundering in the real estate management, brokerage, and trading sector is assessed as MEDIUM-HIGH.

III. Precious Metals and Gemstone Business Sector

1. Introduction

The precious metals and gemstone business sector in Vietnam encompasses activities involving the trade of gold bullion, gold jewelry, and various other precious metals and gemstones (excluding gold), including silver, platinum (precious metals group), diamonds, rubies, sapphires, and emeralds (gemstones group).

The State Bank of Vietnam (SBV) oversees the trading of gold bullion and gold jewelry, including artistic goldsmithing. The Ministry of Industry and Trade (MOIT) is responsible for supervising the trade of other precious metals and gemstones (excluding gold).

The vulnerability to money laundering in the precious metals and gemstone business sector is assessed as: MEDIUM.

This result is based on the assessment of two components, including: Part 1, Assessment for General Input Variables, and Part 2, Assessment for the Inherent Vulnerability Variables in the sector, with the summarized results as follows:

Part 1: Assessment for General Input Variables	Assessment
1. Comprehensiveness of AML Legal Framework	High
2. Effectiveness of Supervision/Oversight Activities	Medium
3. Availability and Enforcement of Administrative Sanctions	Medium
4. Availability and Enforcement of Criminal Sanctions	Medium
5. Availability and Effectiveness of Entry Controls	High

6. Integrity of Business/Profession Staff	Medium
7. AML Knowledge of Business/Profession Staff	Medium Low
8. Effectiveness of Compliance Function (Organization)	Medium Low
9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources	Medium Low

Part 2: Assessment for the Inherent Vulnerability Variables	Assessment
Precious Metals and Gemstone Business Sector	Medium

2. Analyzing the vulnerability to money laundering in the precious metals and gemstones trading sector

2.1. Analyzing the effectiveness of implementing variables related to AML measures

2.1.1. Comprehensiveness of AML Legal Framework

The AML/CFT laws have established preventive measures. Accordingly, businesses in the precious metals and gemstone sector must adhere to AML/CFT regulations, including those related to customer identification, collection, updating, verification of customer identification information, and the establishment of internal regulations and reporting mechanisms, as well as information storage and record-keeping regarding AML/CFT.

2.1.2. Effectiveness of Supervision/Oversight Activities

According to Article 24 of Decree No. 116/2013/NĐ-CP dated October 4, 2013, which provides detailed guidance on the implementation of certain provisions of AML/CFT laws, the State Bank of Vietnam (SBV) is responsible for inspecting, monitoring, and supervising AML/CFT activities of reporting entities under its state management responsibilities (including businesses dealing in gold bullion, jewelry, and handicrafts), and for handling or proposing competent authorities to handle violations of AML/CFT laws. During the period from 2018 to 2022, there were three inspections specifically focused on AML/CFT compliance among businesses engaged in gold trading.

Additionally, Article 26 of the same decree stipulates the responsibility of the Ministry of Industry and Trade (MoIT) in inspecting and monitoring AML/CFT activities among reporting entities engaged in precious metals and gemstone businesses.

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2.1.3. Availability and Enforcement of Administrative Sanctions

On November 14, 2019, the Government issued Decree No. 88/2019/NĐ-CP on administrative penalties in the fields of monetary and banking activities, which includes penalties for violations related to foreign exchange activities and gold trading, as well as violations of AML/CFT regulations. Decree 88 was subsequently amended and supplemented by Decree No. 143/2021/NĐ-CP dated December 31, 2021. In this amendment, penalties for violations of AML/CFT regulations were enhanced, along with additional measures such as suspension or dismissal from management, executive, or supervisory positions; and prohibition from holding such positions in enterprises.

During the period from 2018 to 2022, there were three inspections specifically focused on AML/CFT compliance among businesses engaged in gold trading, as mentioned above. However, no administrative penalties were imposed for non-compliance with AML/CFT obligations.

There are currently no regulations governing administrative penalties for AML/CFT violations among reporting entities engaged in precious metals and gemstone businesses under the management responsibility of the Ministry of Industry and Trade.

2.1.4. Availability and Enforcement of Criminal Sanctions

As analyzed in the assessment of the electronic gaming and casino business sector, Article 324 of the 2015 Penal Code (amended and supplemented in 2017) prescribes the offense of money laundering to ensure its deterrent effect, appropriateness, and effectiveness. Currently, there is no information available regarding money laundering cases conducted through the trading of precious metals and gemstones.

2.1.5. Availability and Effectiveness of Entry Controls

According to the regulations set forth in Government Decree No. 24/2012/ND-CP dated April 3, 2012, concerning the management of gold trading activities (Decree 24) and the guiding circulars related to Decree 24, trading companies and enterprises dealing with gold must obtain licenses from the State Bank of Vietnam. Meanwhile, enterprises engaged in the production and processing of gold jewelry and handicrafts only require certification of eligibility for gold jewelry and handicraft production from provincial or municipal branches of the State Bank of Vietnam. Additionally, there are indications that retail jewelry companies have also applied for licenses to engage in foreign currency exchange activities, thereby increasing the potential risk of money laundering.

During the period from 2018 to 2020, provincial and municipal branches of the State Bank of Vietnam issued certificates of eligibility for gold jewelry and handicraft production to over 180 enterprises and revoked approximately 30

certificates due to business dissolution, production cessation, or requests to terminate gold jewelry and handicraft production activities.

2.1.6. Integrity of Business/Profession Staff

Management and employees are expected to act with honesty in running the enterprise and, in general, not allow their businesses to be used for illegal activities or money laundering. There should be no evidence of collusion with criminals or aiding and abetting criminal activities.

2.1.7. AML Knowledge of Business/Profession Staff

During the period from 2018 to 2022, to enhance employees' knowledge of anti-money laundering within the enterprise, the State Bank of Vietnam (SBV) organized two training courses with the participation of businesses engaged in precious metals and gemstone trading. These included a training session on August 30, 2019, and a conference providing guidance and addressing implementation issues related to Decree No. 87/2019/ND-CP, Decree No. 81/2019/ND-CP, and Circular No. 20/2019/TT-NHNN on July 15, 2020. However, the level of training on anti-money laundering is not commensurate with the scale of the industry, and employees' knowledge of anti-money laundering remains relatively low and needs further enhancement.

2.1.8. Effectiveness of Compliance Function (Organization)

According to the synthesized results of transaction reports by the AML Supervisory Agency, during the period from 2018 to 2022, the agency received 553 reports of cash transactions involving significant amounts of gold trading (valued at 300 million VND or more), totaling 1,619 transactions. No suspicious transaction reports (STRs) from businesses in this sector were submitted to the AML Supervisory Agency.

2.1.9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources

According to Article 21 of the AML Law regarding transparency of legal entities, the business registration agency and licensing authorities must update and store basic information of legal entities, including information on beneficial owners (if any). This information must be kept for at least 5 years after the legal entity terminates its activities in accordance with the law. Although there is no national database on population or other reliable public information systems for business inquiries, businesses operating in the sector perform customer identification and verification by requesting multiple reliable documents for identification.

2.2. Assessment for the Inherent Vulnerability Variables:

2.2.1. Overall Scale of the Sector/Industry:

The gold market in Vietnam is managed uniformly under Decree No. 24/2012/ND-CP dated April 3, 2012. Decree 24 provides the legal basis for organizing and restructuring the gold market, especially the gold bullion market, dividing it into three markets: bullion, raw material gold, and gold jewelry markets. It assigns the management functions and tasks to the State Bank of Vietnam (SBV) and relevant ministries and agencies. Specifically:

Bullion Market: Decree 24 has reorganized the bullion market through assigning SBV with the responsibility to issue business licenses for trading bullion to eligible credit institutions and enterprises. Fulfilling its assigned tasks, SBV has established a new, organized network for buying and selling bullion, which now includes 21 credit institutions and 16 eligible enterprises licensed by SBV to trade bullion in all 63 provinces and cities nationwide, with over 2,600 locations.

Raw Material Gold Market: From 2014 to present, SBV has not imported raw material gold for producing bullion and has not issued import permits for raw material gold to enterprises producing gold jewelry. Enterprises are self-balancing their supply sources in the market. Currently, SBV only issues import permits for raw material gold to two entities: (i) Foreign-invested enterprises (FDI) for producing gold jewelry for export; (ii) Gold trading enterprises with outsourcing contracts with foreign countries are allowed to import raw material gold for re-exporting products.

Gold Jewelry Market: Decree 24 clearly defines the responsibilities of SBV and relevant ministries in managing the gold jewelry market to organize and restructure jewelry manufacturing enterprises, facilitating modern technology models and production capacities to access international markets. According to reports, by the end of 2021, there were over 6,100 jewelry manufacturing enterprises nationwide issued certificates of eligibility for producing jewelry.

Other precious metals and gemstones (excluding gold), including silver, platinum (precious metal group), diamonds, rubies, sapphires, emeralds (gemstone group), are mainly supplied by jewelry manufacturing enterprises to meet diverse customer needs, primarily for personal consumption rather than investment purposes, and transactions are mainly conducted in cash.

2.2.2. Customer Base Characteristics of the Sector/Industry:

According to the provisions of the Anti-Money Laundering Law 2012 and related guidelines, enterprises trading in precious metals and gemstones must apply customer identification measures in cases where customers conduct cash transactions buying or selling precious metals and gemstones valued at VND 300,000,000 (three hundred million dong) or more per day and report these transactions to the AML Supervisory Agency, including relevant customer and transaction information.

In addition, Decree No. 24/2012/ND-CP dated April 3, 2012 of the Government on the Management of Gold Business Activities also stipulates the

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responsibility of gold trading enterprises to comply with accounting regulations, and to establish and use invoices; including basic customer information such as name, ID/CCCD number, address, and phone number for the purpose of customer identification by the enterprise.

Retail activities of precious metals and gemstones in Vietnam mainly serve domestic consumption needs for personal reserves to avoid inflation and partially for personal jewelry needs.

2.2.3. Level of Cash Transactions in the Sector/Industry:

According to statistics from the AML Supervisory Agency's database on cash transactions involving significant gold trading during the period from 2018 to 2022, the level of cash transactions has gradually decreased over the years, and the total transaction value is insignificant compared to the scale of the economy. However, for bullion and jewelry trading activities, cash transactions are still common and account for a large proportion of payments.

3. Conclusion:

Based on the above evaluation, it is evident that the sector's scale is still small, and cash transactions are predominant. However, for high-value cash transactions, they are controlled and reported to the AML Supervisory Agency. Coupled with the direction of developing the gold trading market in Vietnam as a conditional business sector under tight control, the susceptibility to money laundering in the precious metals and gemstones trading sector is assessed as MEDIUM.

IV. Legal Sector, Notary Publics, and Other Independent Legal Experts

1.Introduction

Currently, there are 4,749 law practice organizations and 1,298 notary public organizations nationwide. According to Article 53 of the 2022 AML Law, the Ministry of Justice conducts inspections, examinations, and supervision of AML activities for reporting entities in the legal and notary public sectors, based on the results of national ML risk assessments and the ML risk assessment of the reporting entities.

Activities of law practice organizations and notary public organizations related to the real estate sector in Vietnam are quite common. During their practice, lawyers, especially legal advisors in real estate law, have the ability to identify, detect, or must be aware of the potential risks in transactions of clients suspected of money laundering. Regarding notary publics' involvement in real estate transactions, according to the Land Law 2013 and the Housing Law 2014, transactions involving the transfer of ownership rights or land use rights for houses must be notarized. However, if one party involved in the transaction is a real estate business entity, these transactions are not required to be notarized. In practice, the main workload of notary publics and notary public organizations is real estate transactions.

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For services related to money management, securities; management of bank accounts, securities accounts; management of business operation services, the legal sector may provide these services but not extensively. Notary publics and notary public organizations almost do not engage in providing these services.

The susceptibility to money laundering in the legal sector, notary publics, and other independent legal experts is assessed as **MEDIUM LOW**.

This result is based on the assessment of two components, including: Part 1, Assessment for General Input Variables, and Part 2, Assessment for the Inherent Vulnerability Variables, with the summarized results as follows:

Part 1: Assessment for General Input Variables	Assessment
1. Comprehensiveness of AML Legal Framework	Medium High
2. Effectiveness of Supervision/Oversight Activities	Low
3. Availability and Enforcement of Administrative Sanctions	Medium Low
4. Availability and Enforcement of Criminal Sanctions	Medium
5. Availability and Effectiveness of Entry Controls	High
6. Integrity of Business/Profession Staff	Medium
7. AML Knowledge of Business/Profession Staff	Medium
8. Effectiveness of Compliance Function (Organization)	Medium
9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources	Medium Low

Part 2: Assessment for the Inherent Vulnerability Variables	Assessment
Real estate management service, real estate brokerage, and real estate trading floor businesses	Medium Low

2. Assessment for the Inherent Vulnerability Variables

2.1. Assessment of the Effectiveness of Implementing Variables Related to AML Measures:

2.1.1. Comprehensiveness of AML Legal Framework

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The AML law has provisions on preventive measures, requiring the legal sector and notary publics to comply with AML laws, including those related to customer identification, collecting, updating, verifying customer identification information, and internal regulations construction and reporting, providing, storing AML information and records.

Legal entities and individuals providing legal services, law practice organizations must apply customer identification measures when representing clients, preparing conditions for executing transactions or representing clients in transferring land use rights, ownership rights of houses; money management services, securities or other assets of customers; managing customer accounts at banks, securities companies; business operation, management services of customers' companies; participating in buying, selling businesses. Notary services are special legal services, playing a role in ensuring legal security for parties to contracts, transactions; preventing disputes; protecting the legitimate rights and interests of individuals, organizations; contributing to the stability and development of the economy and society; ensuring the authenticity, accuracy, and validity of certified contracts, transactions, ensuring that transactions are not misused for money laundering purposes.

2.1.2. Effectiveness of Supervision/Oversight Activities

Article 26 of Decree No. 116/2013/ND-CP dated October 4, 2013, provides detailed regulations on the implementation of some provisions of the AML Law regarding the responsibility of the Ministry of Justice in inspecting, examining AML activities of reporting entities conducting notary public, legal service activities of lawyers, law practice organizations.

Recently, due to the lack of regulations assigning the Ministry of Justice to inspect AML activities of lawyers and notary publics, the Ministry of Justice has not implemented AML inspections. For the Legal Support Bureau, Decree No. 54/2014/ND-CP dated May 29, 2014, on specialized inspection in the judicial field, does not stipulate the Legal Support Bureau's functions, tasks in implementing AML laws/regulations. Therefore, the Bureau does not conduct AML inspections for law practice organizations and notary publics.

2.1.3. Availability and Enforcement of Administrative Sanctions

Article 46 of the AML Law 2022 stipulates comprehensively that organizations, individuals violating AML laws may be disciplined, administratively sanctioned, or criminally prosecuted, depending on the nature, extent of the violation, and if causing damage, must compensate according to the law. Currently, administrative penalties for AML violations in the legal sector, notary publics have been included in the draft Decree amending and supplementing some articles of Decree No. 82/2020/ND-CP dated July 15, 2020, of the Government regulating administrative penalties in the fields of legal support, judicial administration;

marriage and family; civil judgment enforcement; bankruptcy of cooperative enterprises and submitted to the Government for consideration and issuance.

Information on administrative penalty cases handled by the Ministry of Justice has not been issued. There have been no decisions on administrative penalties for non-compliance with AML obligations.

2.1.4. Availability and Enforcement of Criminal Sanctions

As analyzed in the assessment of the electronic gaming business sector, casinos, Article 324 of the 2015 Penal Code (amended and supplemented in 2017) stipulates the crime of money laundering, including imprisonment, fines, and additional deterrent penalties. Currently, there is no information on money laundering cases related to the legal sector and notaries.

2.1.5. Availability and Effectiveness of Entry Controls

Regarding the notary public sector: Article 23 of the Notary Law stipulates that the provincial People's Committees consider and decide to establish Notary Offices. Within 90 days from the date of receiving the decision to allow establishment, the Notary Office must register its operation at the Department of Justice in the locality where the decision to allow establishment was issued.

In addition, Article 2 of Article 11 of the Notary Law on the application file for notary appointment specifies the legal background of the appointed person, Article 13 of the Notary Law on cases not eligible for notary appointment, and Article 14 of the Notary Law on temporary suspension of notary practice provide specific provisions to ensure the legal background of the appointed person, cases where notaries no longer meet the conditions are dismissed according to the provisions of Article 15 of the Notary Law. The Minister of Justice considers decisions on notary appointments, dismissals; the Department of Justice decides on temporary suspension of practice for notaries.

Regarding the legal sector, Article 35 of the Lawyers Law stipulates that law practice organizations register their activities at the Department of Justice in the locality. Articles 78 and 79 of the Lawyers Law stipulate: "Foreign law practice organizations must submit establishment dossiers for branches, foreign law firms to the Ministry of Justice. Within sixty days from the date of receiving sufficient dossiers and fees, the Ministry of Justice will consider granting licenses for the establishment of branches, foreign law firms; in case of refusal, it must notify in writing. Within sixty days from the date of issuance of the License for establishment, branches, foreign law firms must register their operation at the Department of Justice in the locality where the headquarters of the Law Firm is located."

Article 14 on the issuance of lawyer practice certificates, Article 20 on joining the bar association of the Lawyers Law require that the application file for issuance of certificates must include a legal background record.

Article 40 of Decree No. 123/2013/ND-CP dated October 14, 2013, detailing a number of articles and measures for implementing the Lawyers Law (amended and supplemented by Decree No. 137/2018/ND-CP dated October 8, 2018) stipulates "Branches, foreign law firms will have their establishment licenses revoked in some cases where conditions are no longer met."

2.1.6. Integrity of Business/Profession Staff

On October 30, 2012, the Minister of Justice issued Circular No. 11/2012/TT-BTP on professional ethics rules for notary publics.

On December 13, 2019, the National Bar Council issued Decision No. 201/QD-HDLSTQ on the code of ethics and professional conduct for lawyers in Vietnam.

According to the above regulations, lawyers, notaries, in addition to ensuring the rights of clients, must also comply with rules on objectivity, honesty, not colluding with clients in illegal activities. Lawyers are required to adhere to the highest legal and ethical standards. All their actions must be within the framework of the law. However, due to the nature of lawyers' work in providing legal services and presuming innocence in criminal cases, lawyers may inadvertently assist criminals in money laundering.

2.1.7. AML Knowledge of Business/Profession Staff

Most lawyers only have a general overview or understanding of AML. AML is not yet a primary subject in law schools, and lawyers' grasp of AML laws, policies, and procedures remains limited, except for those handling money laundering cases, although there have been training programs on AML and available documents from open sources. Similarly, for notaries, knowledge of AML is almost very limited and is only updated when relevant work or cases arise.

During the period 2018-2022, to enhance AML knowledge among the legal profession, the State Bank of Vietnam (SBV) organized two specialized training courses on AML with the participation of representatives from law firms, notary offices, and other independent legal experts, including collaboration with the Ministry of Justice and UNODC to organize three training courses for legal advisory and notarial fields: held on March 4, 2019 (in Hanoi), March 6, 2019 (in Da Nang), and March 8, 2019 (in Ho Chi Minh City), as well as coordination with the Legal Support Bureau (Ministry of Justice) to provide AML/CTF training for lawyers, notaries in 2020.

2.1.8. Effectiveness of Compliance Function (Organization)

According to the compiled report data from the AML Department, during the period of 2018-2022, the AMLD received 101 internal regulations on AML; no STRs (Suspicious Transaction Reports) from businesses in this sector were sent to the AMLD.

The effectiveness of the sector is assessed as average based on factors such as (i) internal compliance programs commensurate with the level of risk; (ii) appointment of an independent AML compliance officer with sufficient resources at the senior management level; (iii) effectiveness in implementing AML programs and disciplinary measures for employees when violating compliance policies.

2.1.9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources

According to Article 21 of the AML Law regarding transparency of legal entities, the business registration authority, licensing authority for establishment and operation of prize-winning gaming businesses must update, store basic information of legal entities including information on beneficial owners of businesses (if any). This information must be stored for at least 5 years after the legal entity ceases operation according to legal regulations. Prize-winning gaming businesses are responsible for collecting, updating, and storing their basic information including the list of managers, charters, and beneficial owners.

The financial history information of customers is not readily available to lawyers because this information typically adheres to legal security regulations or is part of the contract between financial institutions and customers.

Article 62 of the Notary Law regulates the notarial database: "The notarial database includes information on the origin of assets, transaction status of assets, and information on measures applied to prevent assets related to notarized contracts, transactions." It also specifies the responsibility of provincial People's Committees in building local notarial databases and issuing regulations on exploitation, use of notarial databases and the responsibility of the Ministry of Justice in coordinating with the Ministry of Natural Resources and Environment, the Ministry of Construction, and related ministries and sectors to direct, guide the construction and management, exploitation of notarial databases at the local level.

2.2. Assessment for the Inherent Vulnerability Variables

2.2.1. Overall Industry/Field Scale:

The activities of lawyers contribute to law enforcement, protect justice, and participate in dispute prevention in complex and potentially contentious areas such as land and housing. This ensures legal security for contracts and transactions, minimizing the workload for courts in resolving civil disputes.

2.2.2. Customer Base Characteristics:

The customer base of legal practice and notary services is diverse, including domestic and foreign organizations, agencies, and individuals in need of legal services (lawyers) and those needing to conduct civil and economic transactions.

2.2.3. Level of Cash Transactions in the Industry/Field:

Legal services provided by lawyers include litigation, legal advice, representation for clients outside of litigation, and other legal services. Notarization certifies the authenticity and legality of contracts and other civil documents, as well as the accuracy and legality of document translations. Due to the nature of the services, cash transactions in this sector are not common.

3. Conclusion:

Based on the evaluation outlined above, it is evident that the activities of the legal and notary sectors subject to the AML Law in Vietnam are not extensive. Moreover, these sectors, as providers of legal support services, impact the enforcement of legal regulations. Therefore, they are closely controlled by the Vietnamese Government, from licensing to supervision of activities, and requirements for ethical standards are standardized through legal documents. The level of vulnerability to money laundering in the legal and notary sectors is assessed as MEDIUM LOW.

V. Accounting and Auditing Business Sector:

1. Introduction:

As of December 31, 2022, there were 155 accounting service companies and 375 individuals granted certificates to practice accounting services, as well as 211 auditing companies and 2,308 registered auditors. The supervisory authority for this field is the Ministry of Finance (Department of Accounting and Auditing Supervision).

According to the provisions of the AML Law, organizations and individuals engaged in non-financial related sectors include those who provide accounting services. Therefore, accounting and auditing service businesses fall within the scope of regulation under this law.

The vulnerability to money laundering in the accounting and auditing business sector is assessed as: MEDIUM LOW.

This result is based on the assessment of two components, including: Part 1, Assessment for General Input Variables, and Part 2, Assessment for the Inherent Vulnerability Variables, with the summarized results as follows:

Part 1: Assessment for General Input Variables	Assessment
1. Comprehensiveness of AML Legal Framework	High
2. Effectiveness of Supervision/Oversight Activities	Medium
3. Availability and Enforcement of Administrative Sanctions	Medium

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4. Availability and Enforcement of Criminal Sanctions	Medium
5. Availability and Effectiveness of Entry Controls	Medium
6. Integrity of Business/Profession Staff	Medium Low
7. AML Knowledge of Business/Profession Staff	Medium Low
8. Effectiveness of Compliance Function (Organization)	Medium Low
9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources	Medium Low

Part 2: Assessment for the Inherent Vulnerability Variables	Assessment
Accounting and Auditing Business Sector	Medium Low

2. Assessment for the Inherent Vulnerability Variables

2.1. Effectiveness of implementing variables related to AML measures:

2.1.1. Comprehensiveness of AML Legal Framework:

Regarding the legal framework, the Vietnamese Government has issued relatively comprehensive regulations related to the management of the accounting and auditing service business sector (including licensing conditions, reporting regimes, and the responsibilities of the Ministry for regular/ad hoc inspections). Organizations and individuals engaged in accounting services are subject to regulation under the AML Law and must therefore comply with its legal provisions. The establishment of the AML legal framework and industry management regulations has enhanced compliance, integrity, and awareness of anti-money laundering among leaders and personnel working in accounting and auditing service businesses.

2.1.2. Effectiveness of Supervision/Oversight Activities:

Currently, the Department of Accounting and Auditing Supervision under the Ministry of Finance is responsible for advising and assisting the Minister of Finance in managing the state administration of the accounting and auditing service business sector. It directly manages and supervises compliance with accounting and auditing standards and legal provisions in the accounting and auditing service business sector. In accordance with the provisions of the Accounting Law 2015 and Circular [Type here]

09/2021/TT-BTC dated January 25, 2021, guiding the inspection of accounting service activities, in 2022, the Ministry of Finance conducted inspections at 7 accounting service companies and 59 audit inspections at auditing companies. Inspection and supervision activities in the accounting and auditing service business sector are relatively effective and rigorous.

2.1.3. Availability and Enforcement of Administrative Sanctions:

Article 46 of the AML Law 2022 stipulates that organizations and individuals violating AML legal provisions may be subject to disciplinary action, administrative sanctions, or criminal liability depending on the nature and extent of the violation. If damage is caused, compensation must be made in accordance with the law. Legal provisions regarding administrative penalties for violations in the accounting and auditing service business sector are stipulated in Decree 41/2018/NĐ-CP dated March 12, 2018, and Decree No. 102/2021/NĐ-CP dated November 16, 2021, amending and supplementing some articles of Decree 41/2018/NĐ-CP. Penalties include warnings, fines, and additional penalties such as revocation of licenses, suspension of organization, and the requirement to update knowledge, as well as confiscation of violating assets. Administrative violations related to the accounting and auditing service business sector not specified in Decree 41 are subject to provisions in other government decrees on administrative penalties in related state management sectors. Information on administrative penalties imposed: During the 2022 inspection, 81 administrative penalty records related to the accounting and auditing service business sector were issued. Among them, the number of administrative penalty records related to AML activities was 0 (none).

2.1.4. Availability and Enforcement of Criminal Sanctions:

As analyzed in the evaluation section for the electronic gaming, betting, and casino business sector, Article 324 of the Criminal Code 2015 (amended by the Amended Criminal Code) stipulates money laundering offenses, including imprisonment, fines, and additional deterrent penalties. Currently, there is no information on money laundering cases related to the accounting and auditing service business sector.

2.1.5. Availability and Effectiveness of Entry Controls:

The conditions for conducting accounting and auditing services, as well as the standards for practicing as an auditor or accountant, are clearly defined in the Accounting Law 2015, Independent Audit Law 2011, Decree 84/2016/ND-CP on standards and conditions for practicing auditors, and Decree 151/2018/ND-CP amending and supplementing regulations on investment conditions within the state management scope of the Ministry of Finance and other guiding documents. These standards include qualifications such as possessing professional ethics, honesty, integrity, compliance with the law, and holding a university degree or higher in finance, accounting, auditing, or other fields as regulated by the Ministry of Finance.

Additionally, certifications for auditors practicing in foreign countries recognized by the Ministry of Finance and meeting Vietnamese law examination requirements are also acknowledged. These criteria are detailed in the Accounting Law, Independent Audit Law, and related guiding documents.

Furthermore, the Ministry of Finance issued Circular 70/2015/TT-BTC on May 8, 2015, establishing professional ethics standards for accountants and auditors. This circular, effective from January 1, 2016, sets out standards for ethical conduct and professional competence for practicing auditors and accountants. Individuals in the profession must adhere to Vietnamese accounting and auditing standards and current legal regulations on professional qualifications. Therefore, the integrity of personnel in the accounting and auditing service business sector can be relatively ensured.

2.1.6. Integrity of Business/Profession Staff:

The criteria for professional registration of auditors include having full civil capacity, good moral qualities, a sense of responsibility, honesty, integrity, and objectivity, along with holding a university degree or higher in fields such as finance, banking, accounting, auditing, or other fields as regulated by the Ministry of Finance. These criteria are detailed in the Accounting Law, Independent Audit Law, and related guidance. Additionally, the Ministry of Finance regularly conducts training sessions to update knowledge according to Circular 292/2016/TT-BTC, covering legal provisions on accounting, taxation, ethical standards, and other relevant economic, financial, and auditing regulations. These training programs include specific content on AML and AML. Some companies have incorporated AML training into their annual employee training activities, and in 2020, the AML Department collaborated with the Vietnam Association of Certified Public Accountants (under the Ministry of Finance) to train auditors and accountants on AML/AML with a focus on standards and legal provisions, as well as corresponding responsibilities of relevant state agencies.

2.1.7. AML Knowledge of Business/Profession Staff:

Each year, auditors and practicing accountants must participate in knowledge update courses as stipulated in Circular 292/2016/TT-BTC. The content of the knowledge updates includes legal regulations on accounting, taxation in Vietnam, professional ethics standards in accounting, and other related economic, financial, and auditing laws; management skills, practical accounting experience; international accounting and auditing standards; and other knowledge and information related to anti-money laundering (AML) and combating the financing of terrorism (CFT).

Annual training and knowledge update programs for accountants and auditors always include topics that update the legal regulations on AML and CFT. Through surveys, some companies have incorporated AML training into their annual employee training activities.

Additionally, in 2020, the AML Department collaborated with the Vietnam Association of Certified Public Accountants (Ministry of Finance) to conduct a knowledge update training class for accountants and auditors on AML/CFT with 75 participants. The content primarily focused on standards and legal regulations on AML/CFT and the corresponding responsibilities of relevant state authorities.

2.1.8. Effectiveness of Compliance Function (Organization):

The Ministry of Finance sent Information Collection Forms to accounting and auditing service companies according to Document No. 691/QLKT-NH dated September 19, 2022. The specific results are as follows:

More than 50% of surveyed companies have issued internal regulations on AML, and some have established compliance departments or appointed specialized staff to handle AML-related issues. These internal regulations cover: Customer information collection, monitoring, and updating; Customer file storage; Enhanced collection, monitoring, and updating of information on politically exposed persons (PEPs) and customers from high-risk countries; Suspicious transaction reports (STRs); Internal audits on AML; Professional ethics ensuring employees do not collude or turn a blind eye to criminal activities (including money laundering).

2.1.9. Effectiveness of monitoring and reporting suspicious activities:

Companies have internal procedures for monitoring and supervising customer transactions, cross-checking with customer files, screening and monitoring anti-money laundering activities, effectively screening transactions of politically exposed individuals, and screening suspicious transactions, large, complex, and unusual transactions. According to the collected data, there have been no reports of suspicious activities in the accounting and auditing service sector.

2.1.10. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources:

Having access to beneficial ownership information sources, customer identification sources, or other independent information sources (such as credit information, audit information, tax filing information) will assist reporting entities in identifying customers more effectively.

2.2. Analysis of money laundering vulnerabilities in the sector:

2.2.1. Industry/sector overview:

For the accounting service sector: As of December 31, 2022, there were 155 accounting service companies and 375 individuals registered with certificates to practice accounting services nationwide. The management of the accounting service profession and companies providing accounting services was delegated by the Ministry of Finance to the Vietnam Association of Accountants (VAA) until 2016. Since 2017, according to the Accounting Law of 2015, the Ministry of Finance

directly manages the accounting service profession of accountants and companies providing accounting services.

For the auditing service sector: As of December 31, 2022, Vietnam had 211 auditing companies and 2,308 registered auditors. Individuals practicing auditing and companies providing auditing services comply with the provisions of the Independent Audit Law and its guiding documents.

Although the number of customers and transactions served in the sector is significant, considering the scale and market share of the accounting and auditing service sector in the entire economy, it is relatively small. Specifically, the revenue and tax contribution to GDP is negligible.

2.2.2. Characteristics of the customer base:

The target customers of accounting and auditing firms providing accounting services are those with accounting service needs (such as bookkeeping, chief accountant services, financial reporting, accounting consultancy, etc.). The purpose of providing services related to the sector mainly focuses on accounting services, which constitute the majority.

2.2.3. Level of cash activity in the industry/sector:

Accounting and auditing service companies mainly provide accounting and auditing services without conducting economic transactions on behalf of clients. Therefore, cash activity is primarily related to the internal operations of the companies. The level of cash activity is very low.

3. Conclusion:

Based on the data collected during the evaluation process, it is observed that:

(i) The total number of companies qualified to provide accounting and auditing services compared to companies in the same evaluation group (such as companies in the precious metals and gemstones business, real estate business) and compared to other companies in the entire economy is low.

(ii) The revenue and tax contribution to the state budget as a percentage of GDP is negligible.

(iii) The characteristics of the customer base have low risk because accounting and auditing service companies do not engage in transactions involving money, assets, securities, real estate on behalf of clients but only provide accounting and auditing services to clients.

(iv) Cash transaction activity is low, with only 9 out of 361 companies having significant cash transactions exceeding 300 million VND.

Therefore, it can be seen that the level of vulnerability to money laundering in the accounting and auditing service sector is MEDIUM LOW.

VI. Trust Services Sector:

1. Trust Services Sector¹⁴⁸:

Trust services is a concept that exists in the legal systems of countries under the common law system, exemplified by the United States. However, Vietnam follows the legal system of the former Soviet Union and later the continental European legal system. Therefore, the concept of trust services has not been included in Vietnamese law (Civil Code, Commercial Law, and specialized laws do not define this concept).

The AML Law 2022 stipulates: "Legal trust is an agreement under the form of delegation or other forms with similar nature established under foreign law, allowing the trustee to receive lawful ownership rights of assets from the settlor to carry out asset management, supervision for the benefit of the beneficiaries or for purposes defined in the agreement."

a. Investment Trust Services:

Investment trust can be understood as an agreement where organizations or individuals authorize other organizations or individuals to carry out transactions related to assets under the ownership or management of the authorizing organizations or individuals. Under this understanding, this economic activity operates in the form of investment funds.

Investment funds are regulated in securities law, with two forms: (i) real estate investment funds¹⁴⁹ and (ii) securities investment funds¹⁵⁰.

The activities are governed by securities laws, including the Securities Law 2019, Decree 155/2020/ND-CP dated December 31, 2020 detailing the implementation of some provisions of the Securities Law, and Circular 98/2020/TT-BTC dated November 16, 2020 providing guidance on the operation and management of securities investment funds.

The responsible authority for licensing and supervision of this activity is the State Securities Commission under the Ministry of Finance.

However, these investment funds are considered financial institutions as defined in Article 4(3) of the 2012 AML Law (financial institutions conducting

¹⁴⁸ By definition, companies provide trust services when preparing or executing transactions for clients related to the following activities:

- Acting (or arranging for someone else to act) as a trustee of an express trust or performing an equivalent function for another form of legal arrangement;
- Acting (or arranging for someone else to act) as a nominee shareholder for another person.

¹⁴⁹ A real estate investment fund is a securities investment fund primarily invested in real estate and securities of issuers that are real estate businesses with revenue from owning and operating real estate accounting for at least 65% of total revenue as stated in the most recent financial statements.

¹⁵⁰ A securities investment fund is a fund formed from the capital contributions of investors with the aim of earning profits from investing in securities or other assets, including real estate, where investors do not have daily control over the fund's investment decisions.

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investment portfolio management activities), and therefore will be assessed for vulnerability within the financial institutions category.

Another investment trust activity within this category is individuals authorizing companies to invest and develop their assets, usually for wealthy individuals, with a minimum investment amount threshold of 1 billion VND. This activity also falls under the category of financial institutions (providing cash or securities management services to other organizations or individuals as defined in Article 4(3) of the AML Law). Therefore, this activity is not within the scope of analysis for this section.

b. Other Trust Activities:

In addition to the aforementioned trust activities, Vietnam also has other trust forms similar to trust services, such as class funds, condominium maintenance funds. The nature of these funds is that individuals or organizations authorize another individual or organization to manage a certain amount of money they have contributed for predetermined purposes.

These funds do not have the goal of increasing investment and asset development, so they cannot be used for money laundering: the money contributed to these funds is used for consumption and therefore continuously decreases. The money contributed to the condominium maintenance fund is paid when purchasing an apartment and cannot be withdrawn afterwards. Similarly, the amount contributed to class funds is usually relatively small (from a few hundred to a few million dong), so there are rarely withdrawals.

Other types of investment trusts that have existed and developed in other countries have almost not yet appeared in Vietnam, such as Qualified Domestic Trust¹⁵¹ (QDOT), Marital Deduction Trust¹⁵², Irrevocable Life Insurance Trust¹⁵³, Crummey Trust¹⁵⁴, etc.

Therefore, trust services in Vietnam (in the non-financial sector) have almost not yet appeared, or the scale of this sector in Vietnam is still insignificant, with activities not yet developed and lacking sufficient operations to evaluate.

Conclusion: The vulnerability to money laundering in trust services in Vietnam is LOW.

¹⁵¹ A Crummey Trust allows individuals to place money given under the annual gift tax exclusion into a restricted trust (often in the case of parents gifting to their children).

¹⁵² A Marital Deduction Trust is established when the grantor places assets into the trust to prevent those assets from being subject to federal transfer taxes when the grantor passes away

¹⁵³ An Irrevocable Life Insurance Trust (ILIT) is a type of irrevocable trust that can be a useful estate planning tool for individuals with high net worth.

¹⁵⁴ A Crummey Trust allows individuals to place money given under the annual gift tax exclusion into a restricted trust (often in the case of parents gifting to their children).

2. Corporate service sector¹⁵⁵:

2.1. Introduction:

The business services organization is regulated in the AML Law 2012 and includes: (i) services for establishment, management, and operation of enterprises; (ii) services providing directors, secretaries to enterprises for third parties¹⁵⁶.

Firstly, with services for establishment, management, and operation of enterprises, the most common service nowadays is business establishment services. Companies primarily involved in this field are law firms. This service usually only includes the following activities:

- Providing legal advice on business registration,
- Submitting documents to state agencies and receiving results from state agencies;

Individuals, legal entities establishing companies are responsible for providing legal documents related to business registration according to the law.

However, this service is usually completed when there is a result in the form of a Business Registration Certificate. These companies typically do not provide management and operation services for businesses.

Secondly, with services providing directors, secretaries, there are currently emerging companies providing virtual office services accompanied by secretary services for enterprises.

Thus, it can be seen that these services are mostly provided in the initial stages, before and immediately after the establishment of the enterprise, and do not continue after the enterprise operates (except for virtual offices).

The scale of this industry has not been determined. However, the value of each transaction (each use of the service) is relatively low, only around a few hundred thousand dong (including virtual office services at only a few hundred dong/month).

The responsible authority for licensing and supervision of corporate services is the Ministry of Planning and Investment.

The vulnerability to money laundering in the corporate services sector is **MEDIUM**.

¹⁵⁵ By definition, companies provide corporate services when preparing or executing transactions for clients related to the following activities:

- Establishing a legal entity for a business;
- Acting (or arranging for someone else to act) as a director or secretary of a company, a partner of a partnership, or a similar position related to other legal entities;
- Providing a registered office, business address, or accommodation, postal, or administrative address for a company, partnership, or any other legal entity or legal arrangement.

¹⁵⁶ These provisions are further stipulated in the draft AML Law (currently under discussion by the National Assembly).

This result is based on the assessment of two components, including: Part 1, Assessment for General Input Variables, and Part 2, Assessment for the Inherent Vulnerability Variables, with the summarized results as follows:

Part 1: Assessment for General Input Variables	Assessment
1. Comprehensiveness of AML Legal Framework	High
2. Effectiveness of Supervision/Oversight Activities	Low
3. Availability and Enforcement of Administrative Sanctions	Medium
4. Availability and Enforcement of Criminal Sanctions	High
5. Availability and Effectiveness of Entry Controls	Low
6. Integrity of Business/Profession Staff	Medium
7. AML Knowledge of Business/Profession Staff	Medium
8. Effectiveness of Compliance Function (Organization)	Medium
9. Availability and Access to (i) Beneficial Ownership Information, (ii) Reliable Identification Infrastructure, (iii) Independent Information Sources	Low

Part 2: Assessment for the Inherent Vulnerability Variables	Assessment
establish, management, operating company, company's secretariat and manager to third parties	Low

2.2. Analysis of Money Laundering Vulnerabilities in the Corporate Establishment Services Sector:

2.2.1. Analysis of the effectiveness of implementing variables related to AML measures:

2.2.1.1. Comprehensiveness of AML Legal Framework:

The AML law provides provisions for preventive measures, whereby reporting entities, including businesses in non-financial sectors, engaged in activities such as providing establishment, management, and operation services for enterprises; providing director, secretary services for third parties; providing legal consultancy services, must comply with legal provisions on AML. This includes regulations related to customer identification, collecting, updating, verifying customer [Type here]

identification information, and responsibilities for developing internal regulations and reporting, providing, storing information, records on AML.

According to investment laws, business sectors with conditions must go through licensing procedures before operating. The business sectors with conditions are listed in the Appendix IV of the Investment Law 2020. The business sectors providing director, secretary services for third parties are not included in the business sectors with conditions. If these services are provided by law firms, they must obtain a license to practice law according to the provisions of the Lawyers Law 2006, amended and supplemented Lawyers Law.

The AML law divides responsibilities for inspection and supervision of anti-money laundering among management agencies, meaning the state management agencies responsible for managing a specific service sector will be responsible for inspecting and supervising the activities of that sector. Decision No. 941/QĐ-TTĐ dated August 5, 2022, of the Prime Minister on the issuance of the National Action Plan on AML, terrorism financing, and proliferation of weapons of mass destruction for the period 2021-2025, assigned the Government Inspectorate the responsibility to incorporate content related to inspection of activities related to this into the annual inspection orientation program for the entire industry, directing relevant ministries, branches to strengthen inspection, examination, and supervision of all areas under the state management. Then, the Ministry of Planning and Investment believes that based on the annual inspection by the Government Inspectorate, the Ministry's Inspectorate will deploy, include the above content in the inspection and examination plan of the Ministry.

No evidence of collusion with criminals or aiding criminal activities has been found.

Training staff requires some elements. Points to note include: There are no online programs, lectures available 24/7 for businesses to access and learn anytime. As mentioned above, businesses in this sector can easily enter the market (few legal barriers, low natural barriers). Therefore, the number of new businesses and new employees in businesses is very frequent. Having online lectures will help businesses quickly and easily update, learn about AML. However, it seems that there are no online lectures like that yet. Currently, state agencies only conduct training online (and this still limits the number of businesses that can access). According to statistics from the AML Department, this unit has organized many training sessions, AML training sessions during the period 2018 - 2022. However, there has been no training session for the Ministry of Planning and Investment, as well as businesses in this sector.

According to statistics from the AML Department, businesses in this sector have submitted internal audit reports to management agencies, specifically as follows:

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In 2018: 20 reports;

In 2019: 21 reports;

In 2020: 8 reports;

In 2021: 15 reports;

Businesses in this industry also develop internal regulations and submit them to the AML Department. Specifically, during the period of 2018-2021, the AML Department received 38 internal regulations and 7 updated internal regulations (in 2019). However, it can be seen that this number is relatively small compared to the relatively large volume of businesses that could be present in the market. One of the reasons that can be mentioned is that small businesses often have low management requirements. Therefore, awareness of legal provisions, especially deep laws such as AML, may still be not good, even unaware of these provisions.

According to statistics from the AML Department, this unit has not received any reports on suspicious transactions from businesses providing trust services, corporate services. Because most of these businesses are small businesses, the anti-money laundering monitoring system is almost non-existent. Many businesses do not have specific transaction record storage systems (still stored on paper, or common office software)...

2.2.2. Assessment for the Inherent Vulnerability Variables

2.2.2.1. Industry/sector scale:

The scale of this industry has not been determined. However, it can be speculated that the scale of this industry is relatively small compared to the overall economy due to the following reasons:

The value of each transaction (each use of the service) is relatively low, typically ranging from a few hundred to a few thousand dong (including virtual office services, which are typically priced at a few hundred dong per month).

New services are only provided at an early stage, and the complexity of services is low. Many services are not fully provided yet, for example, corporate services often only provide company establishment services without operational support. Or directorship services without search results on Google.

2.2.2.2. Customer base characteristics of the industry/sector:

The customers of these businesses are mostly domestic enterprises, often super small or newly started businesses. These are customer segments that lack understanding of business law and do not have enough resources to hire legal staff, hence they opt for company establishment services from service companies. Foreign enterprises may also use these services, but FDI enterprises often have abundant capital resources, so they do not have much demand for these services.

Individuals or legal entities establishing companies are responsible for providing legal documents related to business registration according to the law, such as personal documents (ID card, citizenship card), and business registration certificates (for legal entities). However, for other services, providing identity information is not required by law and depends on the company's policy.

2.2.2.3. Characteristics of the customer base:

Due to the small transaction values, cash usage and/or bank transfers (to employee accounts) are common.

3. Conclusion:

Based on the above analysis, although the level of activity of companies providing corporate services is relatively common, the characteristics of the customer base are indeterminate; cash usage in businesses is high. However, the scale is extremely small and services are not fully developed yet. Meanwhile, preventive measures applied to the industry are relatively comprehensive and effective, so the level of vulnerability to money laundering in the corporate services sector is MEDIUM.

CHAPTER 8: MONEY LAUNDERING RISKS TO LEGAL ENTITIES, LEGAL AGREEMENTS, AND BENEFICIAL OWNERS

I. Overview

1. Purpose and Methodology of the Assessment

In 2019, Vietnam first conducted an Anti-Money Laundering (AML) assessment for legal entities established and operating under Enterprise Law, in which the risk assessment for money laundering of legal entities was determined to be Medium, the vulnerability assessment was Medium, and the overall risk for commercial legal entities in Vietnam was identified as MEDIUM for money laundering and LOW for terrorist financing. For non-commercial legal entities, the risks for money laundering and terrorist financing were assessed as LOW.

The purpose of this assessment is to identify money laundering risks related to legal entities established and operating in Vietnam, including commercial legal entities established and operating according to the Enterprise Law, non-commercial legal entities such as associations, social funds, charity funds, foreign non-governmental organizations operating in Vietnam, and religious organizations. This assessment also evaluates the money laundering risks of foreign legal agreements (domestic legal agreements are excluded because they are not established and operating according to Vietnam's legal system).

The data, scope of the study, analytical content, and findings presented in this assessment are based on data provided by competent authorities, statistical data provided by organizations in the private sector, including credit institutions, securities companies, and fund management companies. Additionally, this assessment uses information, statistical data, and reference documents from the internet, reports, researches within the country, international models, and expert opinions from the World Bank.

The methodology used to assess the abuse of legal entities, legal agreements for money laundering purposes includes:

- a) Identifying the types of legal entities established and operating in Vietnam and foreign legal agreements related to financial institutions in Vietnam.
- b) Assessing threats based on data, statistical information related to cases of commercial legal entities, non-commercial legal entities, and foreign legal agreements being exploited to conceal illegally acquired assets.
- c) Assessing the national level of vulnerability to the abuse of legal entities, foreign legal agreements for money laundering purposes through identifying inherent factors regarding the level of vulnerability, the effectiveness of measures to mitigate money laundering risks, Vietnam's attractiveness for establishing non-resident legal entities in Vietnam.

2. Legal Entities

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According to the provisions of the Civil Code, Vietnam has two main types of legal entities: (a) commercial legal entities and (b) non-commercial legal entities.

Commercial legal entities are established and operate according to the regulations of the Enterprise Law. The types of commercial legal entities in Vietnam assessed in this Report include: (a) limited liability companies with two or more members (LLC), (b) single-member limited liability companies (SLLC), (c) joint-stock companies (JSC), (d) partnerships, and (e) sole proprietorships established and operating according to the Enterprise Law.

Vietnam's legal framework under the 2020 Enterprise Law classifies two types of shares: a) common shares and b) preferred shares (with special rights).

Single-member Limited Liability Company (SLLC) Limited Liability Company with two or more members (up to 50 members)

Table 1. Types of Enterprises¹⁵⁷

Single-member Limited Liability Company (SLLC)	Limited Liability Company with two or more members (up to 50 members)	Joint Stock Company
Investor		
- The sole investor can be an organization or an individual.	-Two or more investors (referred to as members) can be organizations or individuals. - The number of members does not exceed 50.	- Three or more investors (no maximum number) can be organizations or individuals. - Can be a public company (with more than 100 shareholders or having conducted an initial public offering) and therefore must meet higher disclosure requirements and other requirements under the Securities Law.
Charter Capital		
Charter capital - the capital that investors have contributed, or committed to	Charter capital - the capital that investors have contributed, or committed to contribute, within 90 days from the date of	Charter capital - divided into equal parts called shares, shareholders must fully pay for the registered

¹⁵⁷ Source: Enterprise Law 2020. Article 177, Chapter VI, Enterprise Law 2020.
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<p>contribute, within 90 days from the date of issuance of the Business Registration Certificate.</p> <p>Not entitled to issue shares</p> <p>Under conditions, may issue bonds</p>	<p>issuance of the Business Registration Certificate.</p> <p>Not entitled to issue shares</p> <p>Under conditions, may issue bonds.</p>	<p>shares within 90 days from the date of issuance of the Business Registration Certificate.</p> <p>A joint-stock company must have common shares and may have preferred shares, including voting preferred shares, dividend preferred shares, redeemable preferred shares, and other types of preferred shares as stipulated in the charter.</p> <p>Under conditions, may issue bonds.</p>
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Transfer of Shares, Capital Contribution

<p>When an investor transfers part of the charter capital, a single-member LLC must convert into a multi-member LLC</p> <p>The transferee must be registered, updated in the Business Registration Certificate issued by the business registration authority</p>	<p>An investor wishing to transfer all or part of their capital contribution must first offer to sell that part of the capital contribution to all other investors in proportion.</p> <p>The transferor no longer has rights and obligations as a member when the transferee is registered in the company's member register.</p> <p>The transferee must also be registered in the Business Registration Certificate issued by the business registration authority</p>	<p>Shares may be freely transferred (unless subject to certain restrictions for founding shareholders in the first three years, or restricted under the articles of incorporation or laws).</p> <p>Shareholders are not allowed to transfer voting preferred shares</p> <p>Transfer of shares will be completed on the day the new shareholder is registered in the company's shareholder register managed by the company.</p>
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A partnership is a business entity with at least two (2) members who are joint owners of the company, doing business under a common name. A partnership is not allowed to issue any securities. A partnership has legal personality from the date it is granted a Certificate of Business Registration¹⁵⁸.

¹⁵⁸ Article 177, Chapter VI, Law on Enterprises 2020.

A sole proprietorship is a business owned and operated by an individual who is personally liable for all of the business's activities. Like a partnership, a sole proprietorship is not allowed to issue any securities. The owner of a sole proprietorship cannot simultaneously be the head of a household business or a member of a partnership. A sole proprietorship also does not have the right to contribute capital to establish or purchase shares or capital contributions in a partnership, a limited liability company, or a joint-stock company¹⁵⁹.

All businesses operating under the Enterprise Law must be registered with the Business Registration Office, as stipulated in the 2020 Enterprise Law. Each business is assigned a unique identification number issued by the National Business Registration Information System and recorded on the Business Registration Certificate (Article 29 of the Enterprise Law). This business identification number helps provide timely information about the business's owners. Information about businesses operating under the Enterprise Law must be registered with the Business Registration Office. No business entity is exempt from the registration requirement.

Article 26 of the Enterprise Law regulates the procedures for business registration; Article 27 regulates the issuance of the Business Registration Certificate; Article 28 regulates the content of the Business Registration Certificate. The Business Registration Certificate lists some basic information about the legal entity, including: (a) the name and business registration number; (b) the main office address of the business; (c) the name, address, nationality, and legal identification document number of individuals who are legal representatives of limited liability companies and joint-stock companies; for members of a partnership; for the owner of a sole proprietorship. The names, business registration numbers, and main office addresses of individuals who are members of a limited liability company.

Article 32 of the Enterprise Law regulates the disclosure of business registration information, specifying that businesses must disclose information on the National Business Registration Information Portal. The information disclosed must include all information on the Business Registration Certificate and information about the industry, business sector; list of founding shareholders and foreign investors for joint-stock companies (if any). Paragraph 1, Article 33 of the Enterprise Law allows any individual or organization to request the State management agency in charge of business registration and the Business Registration Office to provide information stored on the National Business Registration Information System and must pay fees as prescribed. Decree No. 01/2021/ND-CP on business registration provides detailed regulations on business registration, and Article 36 of this Decree provides detailed regulations on providing business registration information.

To register a business for a legal entity, the applicant can submit the application directly to the Business Registration Office where the business is

¹⁵⁹ Article 188, Chapter VII, Law on Enterprises 2020.

headquartered, as prescribed in paragraph 1, Article 32 of Decree No. 01/2021/ND-CP or the authorized person can submit the business registration application to the Business Registration Office.

Paragraph 3, Article 12 of the Enterprise Law stipulates: "A business must ensure that there is always at least one legal representative residing in Vietnam. When there is only one legal representative residing in Vietnam, and this person leaves Vietnam, they must authorize in writing another individual residing in Vietnam to exercise the rights and obligations of the legal representative. In this case, the legal representative is still responsible for exercising the rights and obligations that have been delegated."

On the National Business Registration Information Portal, users can search for detailed information about businesses and business owners, including information such as business name, business registration number, operational status, legal form, date of establishment, name of legal representative, main office address, seal template (if any), industry, business sector; list of electronic notices published. At the same time, the National Business Registration Information Portal can also provide information about the business's history in the last 3 years, the latest business registration information, information about the list of businesses that individuals participate in establishing, managing within the last 3 years, along with the role of individuals in these businesses.

A foreign investor is an individual with foreign nationality or an organization established under foreign law that conducts investment and business activities in Vietnam. Foreign investors establishing an FIE (business entity) must follow the process, including: (i) Completing procedures to obtain an Investment Registration Certificate as prescribed; (ii) After being granted an Investment Registration Certificate, the investor proceeds to establish the FIE to implement the investment project and business activities. The documents, procedures for establishing an FIE are implemented according to the regulations of the enterprise law or other laws corresponding to each type of FIE (Articles 63, 64 of Decree No. 31/2021/ND-CP dated March 26, 2021, detailing and guiding the implementation of certain provisions of the Investment Law).

Legal entities are required to have a tax identification number and must submit tax documents to the tax authority according to tax laws. Point a, paragraph 2, Article 30 of the Tax Administration Law 2019 stipulates: "A 10-digit tax code is used for businesses, organizations with legal personality; representatives of households, business households, and other individuals." The tax payment obligations of legal entities to the tax authority will be carried out according to tax laws.

Paragraph 1, Article 8 of Decree No. 01/2021/ND-CP on business registration stipulates: "Each business is granted a unique code called a business code. This code is also the tax code and the social insurance unit code of the business."

During the period from January 1, 2018, to June 30, 2022, there were 597,427 newly registered businesses in Vietnam.

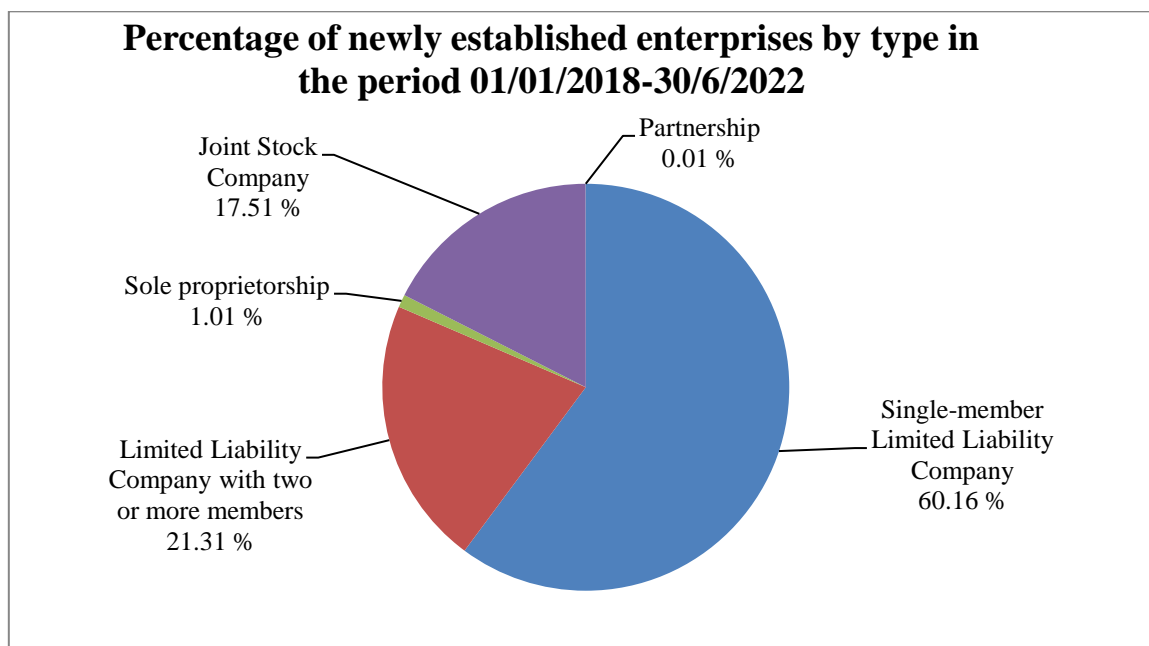
Table: Number of newly established enterprises by type from 01/01/2018 to 30/6/2022

Year	Year 2018	Year 2019	Year 2020	Year 2021	the first six months of the year 2022	Total number of enterprises by type 01/01/2018 -30/6/2022	Percentage by type over the period 01/01/2018 – 30/6/2022
Single-member Limited Liability Company	77,898	82,226	80,621	71,082	47,574	359,401	60.16%
Limited Liability Company with two or more members	29,285	30,292	29,392	23,264	15,095	127,328	21.31%
Sole proprietorship	1,820	1,442	1,171	945	652	6,030	1.01%
Joint Stock Company	22,256	24,173	23,747	21,544	12,909	104,629	17.51%
Partnership	16	6	10	4	3	39	0.01%
Total	131,275	138,139	134,941	116,839	76,233	597,427	100%

During the period from January 1, 2018, to June 30, 2022, the highest proportion of newly registered businesses was single-member limited liability companies, accounting for 60.16%, while limited liability companies with two or more members accounted for 21.31%. Joint-stock companies (including

publicly listed companies on the stock exchange) accounted for 17.51%, sole proprietorships accounted for 1.01%, and partnerships accounted for 0.01%.

Pie chart



During the period from January 1, 2018, to June 30, 2022, the annual registration rate of single-member limited liability companies gradually increased from 59.34% to 60.16%. Additionally, joint-stock companies also showed an increasing trend. On the other hand, limited liability companies with two members or more, sole proprietorships, and partnerships experienced a decreasing trend in registration rates.

During the period from 01/01/2018 to 30/6/2022, the ratio of enterprises exiting the market and returning to operation compared to newly established enterprises showed an increasing trend over the years.

Table: Ratio of legal entities exiting the market and returning to operation compared to newly established legal entities by type

STT	Target	2018	2019	2020	2021	six months of the year 2022
1	Business Withdrawal from the Market	106,965	89,282	101,719	119,828	83,570
2	Resume Operations	34,010	39,421	44,096	43,116	40,667
3	newly established business	131,275	138,139	134,941	116,839	76,233

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4	Percentage ratio of businesses withdrawing from the market compared to newly established businesses	81.48%	64.63%	75.38%	102.56%	109.62%
5	Percentage ratio of businesses resuming operations compared to newly established businesses	25.91%	28.54%	32.68%	36.90%	53.35%

Table: Statistics on the annual registration rate changes of different types of enterprises

Year	Year 2018 vs. 2017 (increase/decrease)	Year 2019 vs. 2018 (increase/decrease)	2020 vs. 2019 (increase/decrease)	2021 vs. 2020 (increase/decrease)	6 months of 2022 vs. 6 months of 2021 (increase/decrease)	Period of 2018-2021 vs. period of 2014-2017 (increase/decrease)
Single-member Limited Liability Company	1.70%	0.18%	0.22%	1.09%	1.75%	6.61%
Limited Liability Company with two or more members	-0.86%	-0.38%	-0.15%	-1.87%	-0.71%	-3.92%
Sole proprietorship	-1.08%	-0.34%	-0.18%	-0.06%	-0.01%	-3.60%

Joint-stock company	0.24%	0.55%	0.10%	0.84%	-1.03%	0.92%
Partnership	-0.01%	-0.01%	0.00%	0.00%	0.00%	-0.01%

During the period from January 1, 2018, to June 30, 2022, the rate of businesses withdrawing from the market and returning to operation compared to newly established businesses has shown an increasing trend over the years.

Vietnam continues to attract increasing amounts of foreign direct investment (FDI). As of June 30, 2022, Vietnam had 35,184 active projects with a total registered capital of nearly USD 427.97 billion. The accumulated realized capital of foreign direct investment projects is estimated at nearly USD 261.66 billion, accounting for 61.1% of the total registered capital. Non-commercial legal entities are organizations that do not have profit-seeking as their main objective; if they make a profit, it is not distributed to their members (Article 76 of the Civil Code).

Non-commercial legal entities include state agencies, armed forces units, political organizations, socio-political organizations, socio-professional organizations, social organizations, socio-professional organizations, social funds, charity funds, social enterprises, and other non-commercial organizations. In this report, focusing on the risk-based approach to anti-money laundering, the report delves into the analysis of non-commercial legal entities such as associations, social funds, charity funds, foreign non-governmental organizations, and religious organizations operating in Vietnam.

An association is a voluntary organization of citizens, Vietnamese organizations in the same profession, with the same interests, and with the common purpose of gathering, uniting members, engaging in regular activities, not for profit, to protect the legal rights, legitimate interests of the association, its members, and the community; supporting each other in effective activities, contributing to the socio-economic development of the country. Associations have various names: association, federation, union, league, association, club, as a legal entity and other names as prescribed by law. Associations are regulated by Decree No. 45/2010/ND-CP of April 21, 2010, of the Government on the organization, operation, and management of associations.

A social fund is a fund organized and operated for the purpose of supporting and encouraging the development of culture, education, health, physical education, sports, science, and rural agriculture, not for profit. A charity fund is a fund organized and operated for the purpose of supporting the overcoming of incidents caused by natural disasters, fires, epidemics, accidents, and other subjects in difficult situations, vulnerable, in need of social assistance, not for profit. Social funds, charity funds are

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regulated by Decree No. 93/2019/ND-CP of November 25, 2019, of the Government on the organization, operation of social funds, charity funds.

Foreign non-governmental organizations are non-profit organizations, social funds, private funds established under foreign laws; have legal capital from abroad; operate to support development, humanitarian aid in Vietnam not for profit and other purposes; do not raise funds, solicit financial support, raise funds from Vietnamese organizations, individuals. Foreign non-governmental organizations register to operate in Vietnam according to the provisions of Decree No. 58/2022/ND-CP dated August 31, 2022, of the Government on registration and management of activities of foreign non-governmental organizations in Vietnam.

A religious organization is a collection of believers, clerics, religious workers, monastic residents of a religion organized according to a certain structure recognized by the State to carry out religious activities. A religious organization is a non-commercial legal entity from the date it is recognized by the competent state authority. The Law on Belief and Religion 2016 regulates the right to freedom of belief, religion; religious activities, religious organizations.

During the period from January 1, 2018, to June 30, 2022, in Vietnam, 58 associations and 35 social funds, charity funds were newly established; there were 101 new registrations of foreign non-governmental organizations in Vietnam. Additionally, during this period, one religious organization was newly established in Vietnam.

Table: Number of Associations, Social Funds, Charity Funds Established from January 1, 2018, to June 30, 2022

No	Type	Year 2018	Year 2019	Year 2020	Year 2021	The first 6 months of the year 2022	Total
1	Associations	07	20	16	13	11	57
2	Social Funds, Charity Funds	09	04	11	09	02	35

Table: Number of New Registrations of Foreign Non-Governmental Organizations from January 1, 2018, to June 30, 2022

No.	Type	Year 2018	Year 2019	Year 2020	Year 2021	The first 6 months of the year 2022	Total

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1	Foreign Non-Governmental Organizations	30	22	28	16	05	101
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Table: Number of New Religious Organizations or Registrations from January 1, 2018, to June 30, 2022

No.	Type	Year 2018	Year 2019	Year 2020	Year 2021	The first 6 months of the year 2022	Total
1	Non-Commercial Legal Entities are Religious Organizations	0	01	0	0	0	01

As of the second quarter of 2022, the Vietnamese state has recognized 16 religions and 36 religious organizations; 04 organizations and 01 sect have been granted registration to operate religious activities.

3. Legal Agreement

The AML Law 2022 stipulates: "A legal agreement is an agreement in the form of delegation or another form with similar nature established according to the foreign law, allowing the delegatee to receive the transfer of legal ownership rights of assets from the delegator to manage, supervise, and operate the assets for the benefit of the beneficiary or for the purposes specified in the agreement."

Prior to this, Circular 20/2019/TT-NHNN dated November 14, 2019, of the State Bank of Vietnam, prescribed the responsibilities of reporting entities under the AML law to collect, update, and request customers to provide information to identify customers participating in legal agreements. Reporting entities are responsible for identifying, verifying, and maintaining records related to legal agreements.

The AML Law 2022 stipulates transparency of information in legal agreements. Accordingly, the delegatee in a legal agreement is responsible for collecting, updating identifying information about the delegator, delegatee, beneficiary, related parties (if any), and individuals with ultimate control over the delegation. At the same time, the delegatee is also responsible for providing this information to competent authorities when requested; providing to financial institutions, organizations, non-financial business individuals during the establishment, maintenance of customer relationships related to the delegated assets.

Financial institutions, organizations, non-financial business individuals related have the right to request the delegatee to provide the above information and the delegation document when identifying, updating, verifying customer identification as the delegatee.

Legal agreements similar to delegation and legal agreements are not established under Vietnamese law. Foreign legal agreements when entering Vietnam must comply with the transparency requirements for legal agreements under the AML law and comply with the relevant specialized laws such as Enterprise Law, Investment Law, Credit Institutions Law, Securities Law, Insurance Business Law, Land Law, etc.

Statistical data on foreign legal agreements establishing relationships with financial institutions in Vietnam (including banks, securities companies, fund management companies) from

Table: Number of Legal Agreements Establishing Relationships with Banks, Securities Companies, Fund Management Companies during the Period from 2019 to 30/6/2022

Legal Agreements related to Organizations

Type	Year 2019	Year 2020	Year 2021	The first 6 Months of 2022	Total
Banks	14	6	7	5	32
Securities Companies	17	11	17	12	57
Fund Management Companies	4	7	10	8	29
Total					118

Legal Agreements related to Individuals

Type	Year 2019	Year 2020	Year 2021	The first 6 Months of 2022	Total
Banks	0	0	0	0	0

[Type here]

Securities Companies	0	0	0	0	0
Fund Management Companies	0	0	0	0	0
Total					0

4. Beneficial Ownership Information

The AML Law 2022 stipulates: "Beneficial ownership is an individual who has actual ownership rights over one or more assets, has the right to control customers in conducting transactions related to assets for this individual; is an individual with the right to control a legal entity or a legal agreement".

Clause 2, Article 10 of the AML Law 2022 stipulates that reporting entities must identify beneficial owners and apply measures to identify and update information about beneficial owners; for customers who are legal entities or legal agreements, reporting entities must collect information on ownership rights and control structures to identify individuals with controlling interests and control over the operations of the legal entity or legal agreement.

Article 21 of the AML Law 2022 stipulates the responsibility of the Business Registration Office to keep and update basic information about organizational structure, founders, and beneficial owners of legal entities (if any). At the same time, it stipulates the responsibility of the legal entity to collect, update, store basic information, information about beneficial owners of the legal entity and provide this information to competent state agencies when requested.

Article 22 of the AML Law 2022 stipulates the responsibility of the recipient in a legal agreement to collect, update identifying information about the grantor, recipient, beneficiaries, related parties (if any), individuals with ultimate control over the trust. At the same time, the recipient in a legal agreement is responsible for providing this information to the competent authority and providing it to financial institutions, organizations, non-financial business entities related to the process of establishing and maintaining customer relationships with these organizations, individuals related to the assets entrusted.

5. Anonymous Shares, Nominal Shares, Nominal Directors

Clause 2, Article 4 of the Securities Law 2019 stipulates: Shares are securities certifying the rights and legitimate interests of the owner in a portion of the capital of the issuing organization.

Article 121 of the Enterprise Law stipulates that shares are certificates issued by a joint-stock company, journal entries, or electronic data confirming ownership

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of one or more shares of that company. Shares must have full name, address, nationality, identity card number of individuals who are shareholders; name, enterprise code or legal document number of the organization, headquarters address of the organization shareholders. Therefore, according to the provisions of the Enterprise Law, legal entities cannot issue bearer shares.

Non-commercial legal entities in Vietnam are also not allowed to issue shares or bearer shares in any form.

Vietnamese law does not recognize nominal shares, nominal directors. Therefore, nominal shares, nominal directors are not formed under the legal system of Vietnam.

II. Assessment of Money Laundering Risks for Legal Entities, Legal Agreements

1. Level of abuse of legal entities, legal agreements for money laundering based on law enforcement data

1.1. Assessment from STRs

In the period from January 1, 2018, to June 30, 2022, the SBV (AML Department) received a total of 3,016 Suspicious Transaction Reports (STRs) related to legal entities.

Table: STRs related to legal entities in the period from January 1, 2018, to June 30, 2022 (broken down by domestic and foreign organizations):

Year	STRs received related to legal entities			Total number of legal entities related to STRs		
	Domestic	Foreign	Total	Domestic	Foreign	Total
2018	288	6	294	402	7	409
2019	693	4	697	981	7	988
2020	378	7	385	692	9	701
2021	318	2	320	693	4	646
First 6 months of 2022	134	5	139	267	5	272
Total	1.811	24	1.835	3.035	33	3.016

The number of STRs related to legal entities received by the SBV (AML Department) is distributed by type as follows:

Table: STRs related to legal entities broken down by type:

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Year	Number of legal entities related to STRs	Joint-stock company	Single-member Limited Liability Company	Limited Liability Company with two or more members	Sole proprietorship	Partnership
2018	402	82	58	273	17	30
2019	981	486	26	434	2	33
2020	692	288	60	343		1
2021	693	194	76	398		25
First 6 months of 2022	267	71	19	174	1	2
Total	3.035	1.022	201	1.358	20	91

During the process of analyzing information from STRs related to legal entities, when there is reasonable suspicion that a legal entity is being abused for money laundering or related to crime, the SBV (AML Department) has transferred information or case files to the competent investigating authorities.

Table: Statistics on the number of STRs transferred by the SBV (AML D) to law enforcement agencies

Year	Number of legal entities transferred to law enforcement agencies		
	Domestic organizations	Foreign organizations	Total
2018	221	4	225
2019	508	2	510
2020	193	3	196
2021	160	1	161

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First 6 months of 2022	33	2	35
Total	1.115	12	1.127

In addition to STR information from reporting entities under the AML Law, the SBV (AML Department) also receives information, suspicious activities from law enforcement agencies in Vietnam and financial intelligence units of other countries. In the period from January 1, 2018, to June 30, 2022, the SBV (AML Department) has analyzed and transferred 05 cases related to legal entities suspected of being abused for money laundering from these sources.

Table: Statistics on the number of legal entities abused for money laundering from other sources

Year	Number of related legal entities
2018	3
2019	0
2020	0
2021	1
First 6 months of 2022	1
Total	5

1.2. Assessment based on data from Vietnam's requests for legal assistance related to criminal legal entities/legal agreements

According to statistics from the Supreme People's Procuracy, in the period from January 1, 2018, to June 30, 2022, there were 25 requests for legal assistance related to legal entities in cases related to money laundering.

Table: Number of requests for legal assistance related to money laundering cases

Year	2018	2019	2020	2021	First 6 months of 2022	Total
Number of requests for legal assistance received		06	03	06	03	18

Number of requests for legal assistance sent	01	02	01	02	01	07
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1.3. Assessment based on investigation, prosecution, and trial data of criminal legal entities

As of now, Vietnam has not initiated any prosecution, investigation, or trial against any legal entities or legal agreements for money laundering offenses.

2. Assessment of the level of abuse of legal entities, legal agreements for money laundering based on risk perception and open sources

Based on the models and reports of the FATF on beneficial ownership concealment trends, criminals often use a variety of tricks and mechanisms to hide ownership and control of illegally obtained assets. Identifying the true owners or individuals exercising control is a major challenge for law enforcement agencies and global intelligence agencies.

Generally, the main tricks that criminals often use to conceal beneficial ownership can be classified into three methods:

a) Creating complex ownership and control structures of enterprises through the use of legal entities and legal agreements, especially for transactions that occur across multiple countries and territories.

b) Using individuals and financial instruments to hide the relationship between beneficial owners and assets, including anonymous shares, nominal directors/shareholders, intermediaries providing legal services to establish companies.

c) Falsifying documents through the use of fake loans, fake invoices and falsifying documents, falsifying documents, personal records.

In Vietnam, law enforcement agencies have not prosecuted, tried, or convicted any cases of abusing legal entities, legal agreements for money laundering, but have noted cases of abusing legal entities to commit other illegal acts.

In practice, during the investigation, the police have discovered cases where members, managers, representatives of legal entities abuse the legal status of the legal entity to conduct acts benefiting individuals rather than the legal entity, causing harm to the legal entity, investors, and other stakeholders.

Typical methods, models of abusing legal entities to commit illegal acts are abusing the legal status of the legal entity to raise funds not for the purpose of business; abuse of dividend distribution/profits in the company from the transfer of capital contribution, shares to subsidiaries; using contracts with clever clauses, causing confusion with companies of the same brand but are independent entities, unrelated; through contracts and transactions with different companies, these companies are all owned by one owner through multiple layers of parent-subsidary
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companies or nominal ownership structures to commit various fraudulent acts, misappropriation of assets; abusing the legal status of the legal entity to "transfer pricing" to evade taxes. Additionally, there are cases of borrowing documents from many individuals to establish new companies or acquire bankrupt companies, companies that have temporarily suspended operations but still have tax codes existing in the system for the purpose of buying invoices at tax offices and then reselling them. These "ghost" companies operate only to trade in value-added invoices, committing the crime of trading invoices, documents and tax evasion...

Currently, law enforcement agencies in Vietnam have not recorded any cases of using associations, social funds, charitable funds, non-governmental organizations, foreign religious organizations to commit money laundering offenses. However, there might be possibilities that individuals, organizations impersonate associations, charitable funds, social funds, foreign non-governmental organizations, religious organizations operating in Vietnam to call for contributions, support charity, help the disadvantaged, orphaned children, covid patients... Impersonating foreign non-governmental organizations operating in Vietnam, promoting fundraising activities, persuading people to participate in their activities. These entities operate through social networks (Facebook, Zalo) to reach and post information in groups on Facebook, then share links on Zalo, send official information about foreign non-governmental organizations operating (copied from the official websites of foreign non-governmental organizations operating). This leads to misunderstandings by the public that foreign non-governmental organizations are supporting their wrongful activities.

Foreign legal agreements are present in limited numbers and scales in Vietnam. To date, law enforcement agencies in Vietnam have not recorded any cases of abusing foreign legal agreements to commit money laundering offenses. No cases have been prosecuted, investigated, prosecuted, or tried for foreign legal agreements in Vietnam.

3. Analysis and ranking of money laundering risks

Based on information and data provided by competent law enforcement agencies as well as information based on threat perception and open sources, generally, the main types of legal entities violating are limited liability companies with two or more members, single-member limited liability companies, and joint-stock companies. There are a few cases of violations by other legal entities. Therefore, for Vietnam, potential weaknesses and vulnerabilities may include the use of individuals through nominee agreements to conceal the relationship between anonymous owners and assets, including the use of complex control and ownership structures. Nominee agreements can be through relationships between family members or with close associates such as employees. Currently, bearer shares are not accepted in Vietnam, and the use of services such as providing directors, company secretaries, providing

representation services for companies, investment delegation services... is not common in Vietnam.

Based on the description above, the money laundering risk assessment is provided in the table below. Generally, the main risk is concentrated on limited liability companies with two or more members, single-member limited liability companies, and joint-stock companies.

Money Laundering Risk Ranking

(1) Potential use as a shell company/legal entity (2) use of complex legal entity structures, nominee agreements (3) abuse of another company's organization such as fraudulent activities	Score	Ranking
Single-member limited liability company	2	Medium
Limited liability company with 2 or more members	2	Medium
Sole proprietorship	1	Low
Joint-stock company	2	Medium
Partnership	1	Low
Association, Fund	1	Low
Foreign non-governmental organization	1	Low
Religious organization	1	Low
Legal agreements	1	Low
Overall average score	1.33	Medium

III. Assessment of the damage to the abuse of legal entities, legal agreements for money laundering purposes

1. Assessment of stability in politics, economics, law, and the attractiveness of Vietnam as a center for establishing or forming international companies not residing in Vietnam

In Vietnam, after more than 40 years of peace and development, Vietnam is evaluated by many international organizations and countries in the world as a country with stability and consistency in politics, economics, and a well-established legal system. The Vietnamese government has stability and consistency in guiding policies, including stable and flexible monetary and financial policies, sustainable economic growth. The labor force in Vietnam is abundant, the market is large, per

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capita income is increasing, international integration is deep, there are competitive advantages, combined with its geographical position in the center of Southeast Asia. Especially, Vietnam does not have internal political violence, no internal conflicts in the country.

Attracting foreign capital, foreign investment into Vietnam is very concerned and focused by the Vietnamese government. Accordingly, investment promotion activities are strongly implemented with national scale, inter-regional, inter-sectoral, inter-provincial connectivity. After more than 30 years of attracting foreign investment, Vietnam is currently improving its institutional framework, policies for foreign investment cooperation with high competitiveness, international integration, meeting the requirements of growth model innovation, restructuring the economy, protecting the environment, effectively solving social issues, improving productivity, quality, efficiency, and competitiveness of the economy. Ministries, branches, and localities have promoted and upgraded the quality of electronic information pages for investment promotion in many languages, contributing to promoting widely the investment environment and policies of Vietnam to numerous investors. In addition to electronic information pages, ministries, branches, and localities have also promoted the investment environment through coordination with media agencies (press, websites, television channels) worldwide (BBC, CNN, CNBC...), central and local levels to introduce the potential, opportunities, encouraging policies, and investment support of the province to domestic and foreign investors.

Vietnam always shows the image of a country with an open policy mechanism, ready to receive, create favorable conditions for foreign investors to establish businesses, operate investment business stably, long-term, sustainable in Vietnam within the framework of legal regulations, ensuring the rights of all parties involved. Vietnam does not promote itself as an international company formation center, nor provide specialized services for establishing, managing companies for non-residents in Vietnam.

In Vietnam, the procedures, processes of establishing, issuing business registration certificates, including specific regulations on companies/businesses without a permanent establishment are specifically regulated in legal documents and publicly posted, detailed guidance, publicly available at the National Business Registration Portal managed and operated by the Ministry of Planning and Investment.

Individuals, organizations have the right to proactively and independently carry out procedures according to the guidance to establish companies/businesses according to the provisions of the law. In addition, law firms, legal consultancy companies, accounting and auditing companies are support organizations that provide services to establish companies/businesses, including services to establish companies/businesses for non-residents in Vietnam.

On the public information pages of companies providing these services, it is easy to understand the service cost table for establishing a foreign-invested enterprise fluctuating from 500-2,500 USD depending on the type and accompanying services (for example, with the high service price of 2,500 USD, services including performing procedures for issuing investment registration certificates (IRC), enterprise registration certificates (ERC), seal registration, business information disclosure, initial tax declaration files, instructions for opening bank accounts, digital signature equipment for online tax declaration, procedures for initiation and instructions for using value-added tax invoices).

The business field of establishing foreign companies/businesses in Vietnam is not a field that generates large revenues for businesses, there is no large network of companies providing establishment services in Vietnam. The political influence of the business field of establishing companies to serve non-resident customers and domestic customers is assessed not to have a large impact in Vietnam.

2. Assessment of the level of awareness of corruption

Vietnam's anti-corruption efforts are currently being vigorously implemented with a high level of political determination, strong actions, and achieving many positive results, which are widely supported, endorsed, and highly appreciated by public opinion.

The Corruption Perceptions Index (CPI) of Vietnam evaluated by international transparency organizations has been increasing. In 2020, Transparency International announced the CPI index of 180 countries and territories, in which Vietnam's CPI index reached 36/100 points, ranking 104th out of 180 countries globally. In 2021, Vietnam's CPI index was 39/100 points, ranking 87th out of 180 countries and territories. Vietnam's CPI score is higher than many countries in the region.

3. Assessment of transparency in beneficial ownership

The Law on Anti-Corruption 2022 stipulates that business registration agencies, licensing agencies for establishment, operation of legal entities must update, retain basic information of legal entities, information on beneficial owners of legal entities (if any). At the same time, legal entities are responsible for collecting, updating, storing information on beneficial owners and are responsible for providing this information to competent state agencies in the process of performing functions, tasks in managing state enterprises on anti-corruption, investigating, prosecuting, and adjudicating crimes.

The Law on Anti-Corruption 2022 also stipulates the responsibilities of the trustee in legal agreements to collect, update identifying information about the trustee, the trustee, the beneficiary, related parties (if any), the individual ultimately controlling the trust, and are responsible for providing this information to financial institutions, non-financial business entities, relevant individuals and competent authorities when requested.

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Currently, the mechanism for collecting, updating, and storing information on beneficial ownership in Vietnam is implemented by reporting organizations according to the provisions of the Anti-Corruption law. However, there are certain limitations in the quality of information collection on beneficial ownership of reporting entities such as financial institutions and non-financial business entities. Additionally, there is currently no mechanism for collecting, retaining complete information on beneficial ownership of legal entities by business registration agencies, licensing agencies for establishment, operation of legal entities.

4. Assessment of tax attractiveness

The standard corporate income tax rate in Vietnam is 20% for domestic income excluding certain items subject to different tax rates specifically stipulated in the Corporate Income Tax Law (e.g., petroleum); foreign income received if not yet taxed in foreign countries when transferred to Vietnam must declare and pay corporate income tax at the standard tax rate; if the tax rate in the foreign country is lower than the standard tax rate, the difference between the tax rate already paid in the foreign country and the standard tax rate must be paid additionally; if the tax rate in the foreign country is equal to or higher than the standard tax rate, no tax is required.

The tax rates in Vietnam are specifically stipulated in the Corporate Income Tax Law and apply uniformly to all types of enterprises without discrimination.

Vietnam does not promote tax competition through tax rates nor does it offer special incentives to individuals, organizations not resident in Vietnam. Enterprises registered abroad are also not entitled to any tax incentives or tax reductions based on nationality, characteristics, or activities of that organization.

Currently, Vietnam enhances tax transparency for individuals, organizations through activities to promote administrative tax procedures reform to improve the investment and business environment and enhance the competitiveness of enterprises. Enterprises can carry out tax administrative procedures via the internet; thereby, reducing travel costs, reducing the time to carry out procedures for receiving tax dossiers, creating a transparent, public, professional administrative procedure environment. In addition, the electronic invoice system deployed nationwide contributes to establishing an equal, transparent, and convenient business environment for people and enterprises.

As of August 16, 2021, Vietnam has signed 80 Double Taxation Avoidance Agreements with countries/territories worldwide, of which 76 tax treaties have come into effect. These tax treaties all have provisions on exchanging information (EOI) stipulating that competent authorities of the two signing countries will exchange necessary information (mainly related to declaration, tax payment) to serve the application of the tax treaty or the enforcement of tax administration of a country.

Through the exchange of information with foreign tax authorities under the Double Taxation Avoidance Agreements, some cases have been detected by the Vietnam tax authority where some companies have under-declared, falsely declared income, falsely declared export turnover to request value-added tax refund or commit other tax frauds, thereby the Vietnam tax authority has proceeded to recover value-added tax, corporate income tax, personal income tax and fines, late payment penalties related to the state budget. Thus, the exchange of information with foreign tax authorities brings practical effectiveness, being an important legal basis in the fight against tax fraud.

Each country, territory has different response times related to the request for information exchange from the Vietnam tax authority. Some countries, territories have fast response times such as Singapore, Australia, South Korea, Japan: 2-3 months, some countries have slower response times such as Russia, China, the UK...: 6 months - 1 year.

5. Situation of foreign investment activities in Vietnam

Statistics for the period from January 1, 2018, to June 30, 2022, show that foreign investors mainly contributed capital to establish single-member limited liability companies, with 11,655 enterprises.

Table: Types of enterprises newly established in Vietnam by foreign investors

Type of enterprise	2018	2019	2020	2021	6 months of 2022
Single-member limited liability company	2551	3562	2450	2077	1015
Limited liability company with 2 or more members	872	1194	716	594	272
Joint-stock company	169	228	159	117	50

Regarding the number of enterprises established by foreign investors in Vietnam according to the field of activity, wholesale, retail, repair of cars, motorcycles; manufacturing, processing, manufacturing industry; science, technology; consulting services, design; advertising and other specialized activities; information and communication are the most established with 4,659, 3,929, 2,421, and 1,266 enterprises respectively.

Table: Number of enterprises newly established by foreign investors in Vietnam by field of activity

No.	Industry	2018	2019	2020	2021	6 months of 2022
1	Wholesale; retail; repair of cars, motorcycles	885	1481	953	883	457
2	Manufacturing, processing, industry	1034	1366	790	518	221
3	Accommodation and food service activities	208	233	144	109	74
4	Employment services; travel; machinery, equipment, and other rental services and support services	168	200	124	102	54
5	Education and training	73	94	40	46	21
6	Other service activities	16	44	26	15	6
7	Mining	2	2	1	2	0
8	Science, technology; consulting services, design; advertising and other specialized activities	482	643	540	542	214
9	Real estate business	126	150	83	90	39
10	Arts, entertainment, and recreation	21	20	15	14	12
11	Agriculture, forestry, and fisheries	11	6	10	6	3
12	Production distribution, electricity, water, gas	24	22	55	31	11
13	Information and communication	264	351	270	244	137
14	Finance, banking, and insurance	24	47	25	21	14
15	Warehouse transportation	81	148	96	106	49
16	Construction	161	155	135	58	24
17	Health and social assistance	12	22	18	3	1

Regarding the number of individuals/organizations establishing businesses in Vietnam, South Korea, China, and the United States are the leading countries.

Table: Top 10 countries/territories with the highest number of individuals/organizations establishing businesses in Vietnam

No.	COUNTRY NAME
1	South Korea
2	China
3	United States
4	Japan
5	Singapore
6	China (Taiwan)
7	France
8	Australia
9	Germany
10	India

In the period from January 1, 2018, to June 30, 2022, there were 311 individuals/organizations from high-risk countries/territories monitored by FATF establishing businesses in Vietnam.

Table: Individuals/organizations from high-risk countries/territories monitored by FATF establishing businesses in Vietnam

No.	Criteria	2018	2019	2020	2021	6 months of 2022
1	Foreign individuals	56	60	42	59	29
2	Foreign organizations	17	16	15	14	3
Total		73	76	57	73	32

There were 21,751 foreign individuals/organizations contributing capital to enterprises in Vietnam in the period from January 1, 2018, to June 30, 2022.

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Table: Foreign individuals/organizations contributing capital to enterprises in Vietnam

Criteria	2018	2019	2020	2021	6 months of 2022
Foreign individuals	3,387	4,789	3,189	2,639	1,281
Foreign organizations	1,653	2,059	1,376	960	418
Total	5,040	6,848	4,565	3,599	1,699

Countries and territories with high risks monitored by FATF have 311 individuals/organizations (1.43%) out of the total number of countries and territories with individuals/organizations participating in capital contribution to enterprises in Vietnam.

Table: Foreign individuals/organizations contributing capital to enterprises in Vietnam to countries/territories with high risks monitored by FATF.

No.	Criteria	2018	2019	2020	2021	6 months of 2022
1	Foreign individuals	56	60	42	59	29
2	Foreign organizations	17	16	15	14	3
Total		73	76	57	73	32

For the amount of capital contributed to enterprises in Vietnam, China, South Korea, and Japan are the leading countries with percentages of 80.88%, 5.92%, and 4.83%, respectively.

Table: Top 10 countries/territories with the highest number of individuals/organizations contributing capital to enterprises in Vietnam

N o.	Country Name	Number of individuals/o rganizations	Capital contributed by individuals/o rganizations	Percentage of individuals/o rganizations	Percentage of capital contributed by individuals/o rganizations
1	China	7.969	1.192.921	20,93%	80,88%

2	South Korea	13.373	87.288	35,12%	5,92%
3	Japan	4.560	71.262	11,97%	4,83%
4	Singapore	2.054	66.661	5,39%	4,52%
5	China (Taiwan)	2.411	22.541	6,33%	1,53%
6	United States	3.823	21.992	10,04%	1,49%
7	Australia	758	7.399	1,99%	0,50%
8	France	1.462	2.066	3,84%	0,14%
9	Germany	744	1.844	1,95%	0,13%
10	India	928	1.043	2,44%	0,07%
Total		38,082	1,475,017	100%	100%

6. Evaluation of the effectiveness of national measures to mitigate the abuse of legal entities and legal arrangements for money laundering purposes

All legal entities in Vietnam are registered with the business registration agencies (for commercial entities established and operated according to the Law on Enterprises) and the operational registration agencies for non-commercial legal entities. No legal entity is exempt from the registration mechanism as stipulated by Vietnamese law.

The business registration agencies maintain basic information and some information on beneficial owners of legal entities in the national database on business registration, and this information will be provided to competent authorities, especially investigative agencies, to support the investigation of the source of money laundering crimes.

The registration agencies for the establishment and operation of non-commercial legal entities also maintain basic information about non-commercial legal entities and are ready to provide this information to competent authorities, especially investigative agencies, to support the investigation of the source of money laundering crimes.

Financial institutions and non-financial business entities related to non-financial business lines specified in the Anti-Money Laundering Law are responsible for collecting, updating, and maintaining customer information, including updating information on beneficial owners of customers. However, there is no risk-based supervision for financial institutions and non-financial business entities related to non-financial business lines.

Other control measures: Legal entities must comply with the regulations in legal documents related to:

- (a) Enterprise Law
- (b) Investment Law
- (c) Tax Management Law
- (d) Securities Law
- (e) Credit Institutions Law
- (f) Land Law...

The quality of identification, collection, updating, and maintenance of information on beneficial owners of financial institutions, organizations, and individuals engaged in related non-financial business lines has been fully regulated in the Anti-Money Laundering Law. However, as mentioned, the quality of this activity is not uniform among all reporting entities. Currently, financial institutions are more effective in implementing these requirements than other reporting entities in other areas.

Vietnam's competent authorities, especially those with the function of initiating, investigating, prosecuting, and adjudicating crimes with jurisdiction, have timely and promptly access to information on beneficial owners of legal entities, legal arrangements as stipulated by law. Vietnamese competent authorities have mechanisms for coordination and effectively provide information on beneficial owners according to the mechanism of coordination, within the scope of memoranda of understanding signed between units.

Investigative agencies have enhanced measures and conducted many training activities to enhance awareness in identifying and investigating beneficial owners. However, as with the general situation in many countries around the world, identifying clearly and accurately the beneficial owners of legal entities, legal arrangements are a common challenge, including Vietnamese competent authorities.

During the period from January 1, 2018, to June 30, 2022, there were 3,807 administrative violations of failure to comply with the obligation to report basic information about enterprises detected and processed.

Table: Statistics on the handling of violations against legal entities failing to comply with the requirement to report basic information

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No.	Violation	Year 2018	Year 2019	Year 2020	Year 2021	First 6 months of 2022	Total
1	Violation of regulations on declaring business registration dossiers	83	106	72	73	11	345
2	Violation of regulations on deadline for registering changes in contents of the Certificate of Business Registration	142	137	185	196	45	705
3	Violation of regulations on publicizing the contents of business registration	6	10	0	0	0	16
4	Violation of regulations on establishment of enterprises	52	37	43	51	12	195
5	Violation of regulations on registration of founders of enterprises	1	0	0	0	0	1
6	Violation of regulations on reporting regime and compliance with requirements of business registration agencies	664	492	308	654	108	2.226
7	Violation of regulations on notifying changes in contents of business registration	43	18	22	17	5	105
8	Other violations of notification obligations	34	39	57	31	1	162

9	Violation of regulations on legal representatives of enterprises	0	1	1	1	1	4
1	Other violations related to organization, management of enterprises	6	17	7	14	4	48
	Total	1.031	857	695	1.037	187	3.807

During the period from January 1, 2018, to June 30, 2022, a total of 2,226 enterprises were fined for violations of reporting and compliance requirements with the business registration authorities, with a total fine of 302,000,000 VND. Statistical data from localities show that single-member limited liability companies and limited liability companies with two or more members are the two types of enterprises most frequently fined, with rates of 36.7% (818 enterprises) and 31.3% (696 enterprises), respectively.

Table: Statistics on fines for violations of reporting and compliance requirements with the business registration authorities

Types of enterprises	2018		2019		2020		2021		Quater I/2022	
	Total number of fined enterprises	Fine amount	Total number of fined enterprises	Fine amount	Total number of fined enterprises	Fine amount	Total number of fined enterprises	Fine amount	Total number of fined enterprises	Fine amount
Single-member LLC	192	8.000.000	193	2.500.000	140	18.000.000	232	15.000.000	61	12.500.000
LLC with two or more members	173	0	176	0	105	45.000.000	216	79.000.000	26	10.000.000

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Joint-stock company	16	15.000.000	24	0	24	29.000.000	44	51.000.000	6	6.000.000
Partnership	0	0	1	0	0	0	0	0	0	0
Sole proprietorship	283	0	98	0	39	0	162	1.000.000	15	10.000.000
Total	664	23.000.000	492	2.500.000	308	92.000.000	654	146.000.000	108	38.500.000

Due to the significant participation of individuals/organizations from abroad in investing in Vietnamese enterprises, among them, 80.88% of individuals/organizations investing in Vietnamese enterprises are from China, 5.92% are from South Korea, 4.83% are from Japan, and foreigners from countries, territories with high risks account for about 1.43% of investors¹⁶⁰. This could be a challenge for identifying the ultimate beneficial owners (beneficial owners) residing in these countries, territories, even with the requirement for a representative appointed by the company who is a resident in Vietnam.

7. Assessing the extent of money laundering risks to legal entities and legal agreements"

Based on the criteria mentioned above, the assessment of the national damage level of different legal entities is as follows:

Level 1 - Low damage level.

Level 2 - Medium damage level.

Level 3 - High vulnerability to damage.

Table: Assessment of the national damage level

Entity type	Scale	Anonymous ownership	Anonymous ownership - foreign ownership risk	Anonymous ownership - complex/unclear ownership	Agreements standing in the name of	The completeness, accuracy, and timeline of	Overall average vulnerability level ¹⁶¹
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¹⁶⁰ Afghanistan, North Korea, Pakistan....

¹⁶¹ If it exceeds the midpoint, then evaluate the next level, for example: 2.5 is high.

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			countries/territories	ip relations	documents	information on anonymous ownership	
Single-member limited liability company	3	1	2	1	2	2	1.3
Limited liability company with two or more members	3	1	3	3	3	3	2.7
Sole proprietorship	1	1	1	1	1	1	1
Joint-stock company	2	1	2	3	3	3	2.3
Partnership	1	1	1	1	1	1	1
Association, Fund	1	1	1	1	1	1	1
Religious organization	1	1	1	1	1	1	1
Foreign non-government	1	1	1	1	1	1	1

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ental organiza tion							
Foreign legal agreeme nts	1	1	1	1	1	1	1
Total	1.36						

8. Evaluation Result

Overall, the money laundering risk originating domestically is higher than that from abroad and mainly focuses on joint-stock companies and limited liability companies with two or more members. Involvement with high-risk countries, territories, or foreign centers is very limited. Overall, Vietnam is not considered an attractive country to establish companies due to legal regulations including strict regulations on foreign investment, taxes, etc.

With an average ranking for the risk and level of damage, the risk to legal entities for all categories is rated as medium. Sole proprietorships and partnerships, associations, funds, religious organizations, foreign non-governmental organizations, and foreign legal agreements are assessed to have low money laundering risks.

Table: Money laundering risk ratings for commercial entities

Legal entity	Threat rating	Ranking the level of vulnerability	Money laundering risk
Single-member limited liability company	Medium	Medium	Medium
Limited liability company with two or more members	Medium	High	Medium
Sole proprietorship	Low	Low	Low
Joint-stock company	Medium	High	Medium
Partnership	Low	Low	Low
Overall average score	Medium	Medium	Medium

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Table: Money laundering risk ratings for non-commercial entities and foreign legal agreements

Legal entity	Threat rating	Ranking the level of vulnerability	Money laundering risk
Association, Fund	Low	Low	Low
Religious organization	Low	Low	Low
Foreign non-governmental organization	Low	Low	Low
Foreign legal agreements	Low	Low	Low
Overall average score	Low	Low	Low

CHAPTER 9: MONEY LAUNDERING RISK FOR VIRTUAL ASSETS

I. General introduction

1. Virtual assets

With the strong development of the fourth industrial revolution, especially in the fields of information technology and e-commerce, virtual assets and virtual currency are becoming increasingly popular and developing in socio-economic life, attracting the attention of the public, technical, economic, financial, legal experts, governments and international organizations. The world currently lacks a unified definition of virtual assets. However, according to the definition of the International Organization for Standardization (ISO)¹⁶², virtual assets (Virtual asset or virtual property) are the representation of assets in cyberspace or digital space, meaning they exist in a complex environment formed by the interaction of users, software, and internet services through connected devices and networks. Thus, virtual assets are essentially digital assets. According to The Uniform Law Commission's Model Law on Digital Assets of the United States Commission on Uniform Laws, digital assets are electronic records in which a person has rights or interests¹⁶³.

From a technical perspective, virtual assets are information that exists in the form of computer code. Different pieces of code create different types of virtual assets that are identifiable, transferable and hold value within a specific user community. In reality, virtual assets have economic and practical value because they meet human needs. Transactions related to virtual assets are being carried out quite commonly, in which some virtual assets hold significant value (such as certain online games, in-game items, some websites, social media accounts...). Users in cyberspace (or digital space) reasonably expect to establish legal interests tied to virtual assets just as they would for other tangible assets. Therefore, in essence, virtual assets are ultimately similar to other conventional assets¹⁶⁴.

Currently, with the development of blockchain technology - with a typical operating mechanism of distributed ledgers, digitization, and decentralized consensus to store information in interconnected blocks managed by all participants in the system, ensuring the transparency of transactions - virtual assets created through this technology, often referred to as crypto assets are growing increasingly prevalent. According to the World Economic Forum's assessment, 10% of the global GDP will be stored and created via blockchain technology by 2027¹⁶⁵.

However, in some cases, the concept of virtual assets is used in a narrow context to refer only to virtual currency. On May 13, 2018, the Thai Government

¹⁶²ISO/IEC 27032:2012(en), Information technology – Security techniques – Guidelines for cybersecurity, Section 4.49, <http://www.iso.org/obp/uk/#iso:std:iso-iec:27032:en>.

¹⁶³Revised Uniform Fiduciary Access to Digital Assets Act (2015) – Article 2(10).

¹⁶⁴Michaela MacDonald, The Case for Virtual Property, Queen Mary University of London, 2017, <http://qmro.qmul.ac.uk/xmlui/handle/123456789/30717> p.216

¹⁶⁵WEF, Deep Shift Technology Tipping Points and Societal Impact, Survey Report September 2015, p. 16.

issued two emergency decrees, including the Emergency Decree on the Digital Asset Business Operation (EDDABO) and the Emergency Decree on the Amendment to the Revenue Code (EDARC), which took effect immediately on May 14, 2018, to regulate and tax the income from digital assets. According to these decrees, digital assets are classified into cryptocurrencies and digital tokens, where:

- Cryptocurrencies are electronic information units created within a digital system to serve as a medium of exchange for goods, services, or other rights (including the exchange of other digital assets).

- Digital tokens are electronic information units created within a digital system to: (i) represent an individual's investment in a project or business venture; or (ii) denote rights to goods, services, or other entitlements as agreed between the issuer and the holder of the digital token¹⁶⁶

From these definitions, cryptocurrencies and digital tokens are essentially different forms of virtual currency.

2. Virtual currency

According to the International Organization for Standardization (ISO), virtual currency is a type of virtual asset used as money, which can function as a medium of exchange or as a valuable asset in specific environments such as games or simulated financial transactions. The European Parliament and the Council of the European Union (EU), in Directive 2018/843 dated May 30, 2018, concerning Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT), define virtual currency as a digital representation of value that is not issued or guaranteed by a central bank or public authority, not pegged to any legal currency, and not recognized as legal tender, but accepted as a means of payment by individuals or entities and can be transferred, stored, or traded electronically. According to the Financial Action Task Force (FATF), virtual currency is a digital representation of value that can be used in digital transactions and may serve as: (i) a medium of exchange; (ii) a unit of account; or (iii) a store of value. It is not legal tender in any country or territory and is neither issued nor guaranteed by any country or territory. These functions are established solely by agreement within the user community of the virtual currency. It can be stated that virtual currency is currently not legal tender and does not conform to the traditional definition of 'money'.

In June 2014, the Financial Action Task Force (FATF) offered a comprehensive definition of virtual currency in its report 'Virtual Currency: Key Definitions and Potential AML/CFT Risks.' According to the report, virtual currency is a digital representation of value that can be transacted electronically and serves as (i) a medium of exchange, (ii) a unit of account, or (iii) a store of value, but it does

¹⁶⁶ Norton Rose Fullbright, Regulation of Digital Assets Takes Effect in Thailand, June 2018, <http://www.nortonrosefullbright.com/knowledge/publications/168042/regulation-of-digital-assets-takes-effect-in-thailand#section2>; LawPlus, Digital Asset Business, 2008, www.lawplusltd.com/2018/06/digital-asset-business/.
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not hold legal status in any jurisdiction. In addition, FATF noted that virtual currency is not issued or backed by any government authority. Its functions are recognized and carried out based on the agreement of its user community. FATF also emphasized the importance of differentiating virtual currency from other forms of electronic currency that are digital representations of paper money used to exchange monetary values electronically.

FATF's definition of virtual currency not only encapsulates the experiences of organizations attempting to define the scope of virtual currency systems but also paved the way for the term 'virtual currency' to be used in subsequent years.

In October 2018, FATF introduced the new term 'virtual assets' to reflect the significant and diverse growth of instruments based on distributed ledger technology. This was the first official announcement and definition of the term 'virtual assets' by a reputable organization. According to FATF, 'a virtual asset is a digital representation of value that can be transacted and transferred digitally and may be used for payment or investment purposes'.

The definition of 'virtual assets' is broader than its predecessor term 'virtual currency,' most notably as it includes any digital value that can be used for 'investment purposes.' This expansion from the previous definition significantly increases the entities that must register as virtual asset service providers, bringing more services based on virtual asset investments under the scope of FATF regulations.

Based on the FATF's concept, regulators in several countries have also developed their own definitions of virtual assets, which tend to be more specific and detailed.

It can be said that as of now, 'virtual assets' is the latest and most comprehensive term, covering the entire definition of virtual currency and including the following main characteristics:

- It is a digital representation of value that exists in a digital environment;
- It can be transacted and transferred digitally;
- It serves as a means of payment and investment;
- It is not issued or backed by any regulatory authority and is not recognized as legal tender;
- It can be converted into legal tender.

Most countries in the world do not accept virtual currency as legal tender, except El Salvador (2021) and Central African Republic (2022).

II. Current status of virtual assets activities in Vietnam

1. Overview

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In the context of the Forth Industrial Revolution, technology plays a crucial role in driving innovation and creativity across all aspects of social life. It has led to the creation of many new products, business models, and forms of assets. One of the most notable technological developments in the past decade is the emergence of virtual assets, with Bitcoin¹⁶⁷ as a prime example. The topic of "virtual assets" has drawn significant attention from policymakers and international organizations, particularly as the range of virtual assets becomes increasingly diverse and the scale, transaction value, and number of investors in this market grow rapidly.

On February 27, 2014, the State Bank of Vietnam issued its first press release on virtual currency. The press release covered several fundamental points, including:

First, it affirms that Bitcoin is a form of digital currency (virtual currency) that is not issued by a government or financial institution; instead, it is created and operated using a network of peer-to-peer internet-connected computers.

Second, it affirms that the emergence of Bitcoin has introduced numerous harms and risks for users, such as its potential to serve as a tool for criminal activities like money laundering, drug trafficking, tax evasion, illicit asset transactions, and payments. The threats of attacks, data theft, manipulation, or suspension of transactions are significant. Investing in Bitcoin carries substantial threats of financial bubbles, leading to potential losses for investors. Bitcoin transactions are not regulated or supervised by any government authority, so Bitcoin holders bear all risks without legal protection.

Third, using Bitcoin (and similar virtual currencies) as a means of payment is neither recognized nor protected by law. Financial institutions are prohibited from using Bitcoin (and similar virtual currencies) as a form of currency or means of payment when providing services to customers.

Fourth, owning, buying, and using Bitcoin (and similar virtual currencies) as an asset poses significant risks to individuals and is not protected by law.

Following the press release on February 27, 2014, the State Bank of Vietnam issued a statement to the media on the morning of October 28, 2017, reaffirming that Bitcoin and other similar virtual currencies are not legal forms of payment in Vietnam. Therefore, the issuance, provision, and use of Bitcoin and similar virtual currencies as means of payment are prohibited in Vietnam.

On August 21, 2017, the Prime Minister issued Decision No. 1255/QĐ-TTg, approving a project to establish a legal framework for managing and handling virtual assets, electronic money, and virtual currency. According to this Decision, the completion of this legal framework must be based on three principles:

¹⁶⁷ Bitcoin was introduced in 2009 by an individual or group known as Satoshi Nakamoto. As of October 2021, more than 18.84 million bitcoins were in circulation with a total market capitalization exceeding USD 1 trillion. According to CoinMarketCap, on October 8, 2021, there were 12,478 types of virtual assets being traded, with a combined market value of over USD 2.28 trillion. Bitcoin accounts for roughly 45% of the total market value.
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Institutionalize the policies of the Party and the State on protecting ownership and property rights to address current and future practical challenges;

Contribute to protecting the lawful rights and interests of domestic and foreign investors in Vietnam, while effectively limiting, preventing, and controlling risks and abuses, and specifying property rights regulations in the 2015 Civil Code in the field of virtual assets, electronic money, and virtual currency;

Research and selectively incorporate international experience in virtual assets, electronic money, and virtual currency to recognize, develop, and refine related legal frameworks in accordance with the principles of consistency, transparency, stability, and predictability in the legal system, while aligning with international practices.

Simultaneously, the completion of the legal framework aims at 03 objectives:

Conduct thorough research to fully and accurately understand the nature of virtual assets, cryptocurrencies, and virtual currency based on international experiences and Vietnam's practice, including their relationship with physical assets and real money, the role of virtual assets, electronic money, and virtual currency, and their impact on legal systems;

Review and assess the current legal framework on virtual assets, cryptocurrencies and virtual currency in Vietnam, considering international regulatory experiences and their impact on related legal systems in Vietnam to identify and define the stance of state authorities on related legal issues, propose specific tasks, and provide directions for developing and refining laws on virtual assets, electronic money, and virtual currency. This aims to manage the associated risks, control, and minimize them without stifling innovation and creative entrepreneurship, and ensure flexibility to adapt to the ever-evolving nature of information technology and e-commerce;

Assign responsibilities and implementation roadmaps to relevant ministries and departments to address the challenges presented.

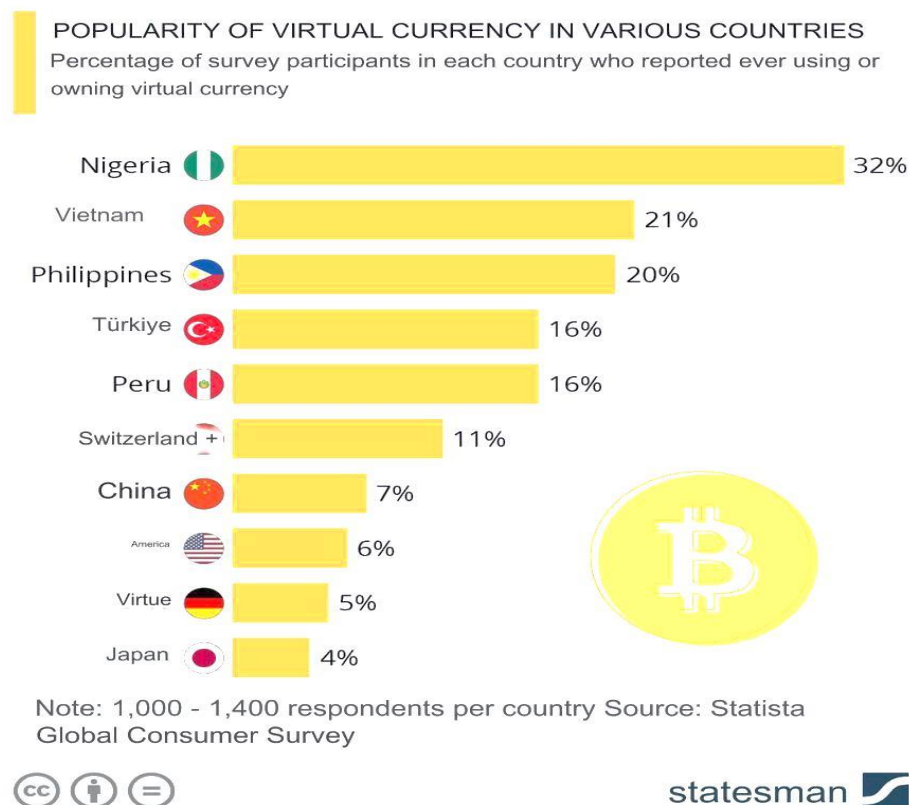
From the Ministry of Finance's perspective, on January 29, 2018, the State Securities Commission issued a statement on its electronic information portal advising investors to exercise extreme caution when investing in virtual assets to avoid threats and losses. In addition, the State Securities Commission issued Official Letter No. 4486 on July 20, 2018, requesting public companies, securities firms, fund management companies, and investment funds not to illegally engage in issuing, trading, or brokering virtual currencies.

These decisions lay an essential legal foundation for researching and enacting future regulations on virtual currency in Vietnam. From a policy perspective, they highlight the urgent need to establish a legal framework to regulate issues related to virtual currency in Vietnam.

2. The level of interest in virtual assets among Vietnamese people

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According to a survey by Finder at the beginning of 2021, based on responses from 42,000 people across 27 countries, 41% of Vietnamese respondents said they had purchased virtual currency. This is the highest rate among the 27 countries surveyed. According to the 2020 Global Consumer Survey by Statista¹⁶⁸, conducted in 74 countries with participation ranging from 1,000 to 4,000 people per country, Vietnam ranked second globally in the prevalence of virtual currency, with 21% of surveyed Vietnamese owning or using virtual currency. This rate was second only to Nigeria (32%) and higher than the Philippines (20%), China (7%), the United States (6%), and Japan (4%).



Based on these observations, it is evident that Vietnamese people are showing a growing interest in virtual assets or virtual currency. Transactions involving virtual assets and virtual currency are often carried out in the following forms:

- **Peer-to-Peer Transactions:** Direct buying and selling of virtual assets and cryptocurrencies are conducted through peer-to-peer transactions, where buyers and sellers connect directly via Facebook groups, Telegram, Zalo, or other social media platforms. This approach is currently very accessible. While direct transactions have the benefit of minimal or no transaction fees compared to using exchanges, the downside is the high risk of fraud. Many newcomers to virtual assets have been scammed, particularly through online virtual currency purchases.

¹⁶⁸ A renowned German market research company.
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- **Exchange-Based Trading:** Exchanges act as intermediaries to facilitate secure transactions between buyers and sellers, preventing fraud. They charge fees from both parties as a percentage of the transaction volume. Trading virtual assets on exchanges is currently the most common method in Vietnam. Popular exchanges among Vietnamese users include Binance, Remitano, Huobi, Coinbase, and others. Most of these exchanges are licensed and headquartered abroad, or their official information is not available on their websites (e.g., Remitano is headquartered in Seychelles, Bybit is registered in the Virgin Islands, and headquartered in Singapore). In Vietnam, the operations of virtual currency exchanges are not regulated, and their owners have no obligations to the state.

- **Virtual currency Mining:** Virtual currency mining refers to the process of creating new digital currencies by solving cryptographic algorithms using mining software. However, the costs of mining have been increasing as the supply of certain virtual currency is limited while the number of “miners” continues to grow.

Between 2017 and 2018, virtual currency mining was a particularly vibrant activity in Vietnam. The import and use of mining rigs were not included in the list of prohibited imports, and mining activities were not explicitly banned under Vietnamese law.

A 2018 report from the Ministry of Justice estimated that around 1 million people in Vietnam own and engage in trading crypto assets, with daily transaction volumes of around 200–300 billion VND, primarily through bank accounts. Besides, Vietnam is one of the 8 legal tenders most frequently used in global crypto assets and cryptocurrency transactions.

Recently, there has been a rise in suspicious transactions related to online gambling, virtual and digital currency payments. These methods typically involve complex money transfers between individuals, quick deposits and withdrawals from bank accounts, and a high volume of internet banking transfers within a single day, often with descriptions consisting of random codes, characters, or strings of numbers.

III. Risk Assessment of AML/CFT for Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs)

1. Assessment of AML/CFT Risk for Security Tokens in Vietnam

1.1 Scope

This report evaluates the risks of money laundering and terrorist financing associated with virtual assets (VAs) and virtual asset service providers (VASPs) in Vietnam. This assessment is based on data and information collected from government ministries, domestic, and international reports. Given that VAs and VASPs are not yet regulated by Vietnamese law, data collection from VASPs poses significant challenges.

The primary objective of this report is to assess the AML/CFT risks of VAs and VASPs to lay the foundation for proposing appropriate policy management measures.

1.2 Characteristics of Virtual Asset Securities (VA Securities/Security Tokens)

Like other virtual assets, there is currently no formal definition of what constitutes a security token. However, it can be understood as a digital asset representing ownership rights or other rights of the holder in an asset or a group of assets/ownership interests in a business. In many cases, security tokens can be viewed as a digital form of traditional investment instruments such as stocks, bonds, etc. In addition, traditional securities can also be tokenized and traded on Distributed Ledger Technology (DLT) platforms, often referred to as tokenized securities.

Issued and traded on DLT platforms, security tokens are also decentralized, capable of cross-border transactions, and have anonymity/semi-anonymity features. Therefore, similar to other crypto assets, security tokens can carry RT (Regulatory Technology) risks like cryptocurrencies. However, recording transactions on distributed ledgers also increases the traceability of these crypto assets. Many countries now manage security tokens similarly to traditional securities, requiring issuance and trading these tokens to be licensed and comply with AML regulations.

1.3 Role of security tokens

Both security tokens and cryptocurrencies are created and stored on distributed ledger technology (DLT). However, their roles and purposes differ. Cryptocurrencies are often used within a specific community, whereas security tokens function more like stocks, bonds, or other investment products and are not typically accepted as a medium of exchange in goods and services transactions.

1.4 Utilization of Security Tokens

- Market Capitalization of Security Tokens:

Data from Stomarket.com shows that the market capitalization of security tokens has been increasing since the beginning of 2022. As of the end of October 2022, the market capitalization of security tokens reached approximately USD 14.57 billion, accounting for only 1.4% of the total cryptocurrency market capitalization. According to stomarket.com, as of November 24, 2022, the largest security tokens by market capitalization included EGX from Enegra Group (USD14.5 billion), TZROP from tZERO (USD100 million), BOSS from Boss Info AG (USD 99.8 million), and MSTO from Millennium Sapphire (USD 88.8 million).

Meanwhile, the market capitalization of tokenized securities currently stands at about USD 7.68 million, with securities from companies like Twitter, Alibaba, Facebook, Amazon, Google, and others being tokenized and traded on the FTX exchange.

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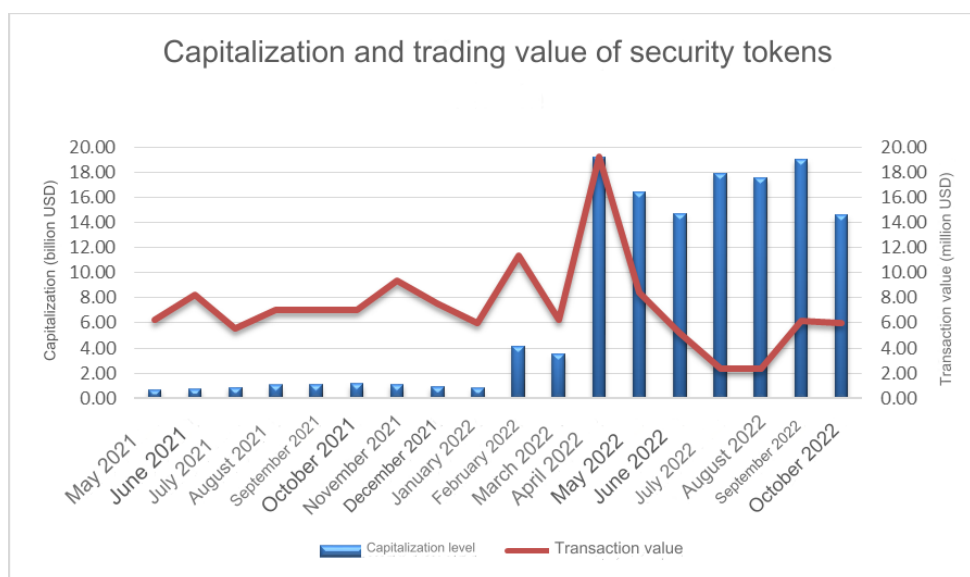
According to Stomarket.com data, the largest security token exchanges as of the end of October 2022 include BigOne (with a market capitalization of over USD 13.7 billion, representing 89% of the total market capitalization), followed by Aktionariat (USD 204 million) and tZERO ATS (USD 155 million).

Trading Volume of Security Tokens:

As shown in the chart below, the transaction value in the security token market has fluctuated between USD 6 million and USD 10 million from mid-2021 to the end of Q1/2022, before experiencing a significant increase to nearly USD 18 million in April 2022. However, it has since declined to about USD 2 million in July and August, with a slight increase to \$6 million in September and October 2022.

Looking at individual security tokens, the 24-hour trading volume of the most liquid security tokens in the market reaches approximately USD 100,000, with some security tokens exhibiting zero liquidity in 24-hour trading. On the other hand, tokenized securities of companies like Twitter and Tesla have higher liquidity, with 24-hour trading volumes exceeding USD 1 million. Nonetheless, compared to the cryptocurrencies such as Bitcoin (with a 24-hour trading volume of USD 29 million) or Ethereum (USD 10 million), security tokens have lower liquidity.

According to data from stomarket.com, as of the end of October 2022, the largest security token exchanges by trading volume include Aktionariat (with a trading volume in October 2022 exceeding USD 1.12 million), followed by tZERO ATS (USD 781,000), Uniswap V2 Decentralized Exchange (USD 541,000), and INX Securities ATS (USD 469,000).



Source: storemarket

1.5 Security Token Design

Most security tokens are issued through security token offering (STO) platforms such as Polymath, Harbor, Swarm, and Securitize. Unlike platforms that

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operate on ERC-20 standards, STO platforms often use specific protocols (e.g., Polymath's ST-20, Harbor's R-token, Swarm's SRC-20) that integrate know-your-customer (KYC) and AML measures to ensure compliance with nations' legal regulations. As a result, only verified participants on whitelists are permitted to enter the security token market. Furthermore, operating on distributed ledger technology (DLT) enhances transaction traceability for security tokens, which helps mitigate risks of money laundering and terrorist financing.

1.6 Legal Framework in Vietnam

Vietnam currently lacks a legal framework for governing crypto assets in general. Activities related to the issuance, exchange, trading, and business of crypto assets are not regulated by state authorities and are not prohibited by laws. Thus, activities involving security tokens and other crypto assets pose a high threat of money laundering.

Conclusion

Evaluation factors	Increased AML risk	Reduce AML risk	
Characteristics of security tokens (decentralized, semi-anonymous and cross-border)	x		
Low liquidity, limited level of acceptance in transactions for goods and services, and low market capitalization.		x	
Subject to management and supervision by authorities in various countries due to its nature as a security.		x	
Operates on distributed ledgers, enhancing transaction traceability while integrating customer identification and AML capabilities.		x	
Vietnam currently lacks a legal framework to regulate crypto assets and related transactions, exchanges, or trading activities.	x		

Based on an overview of the characteristics, usage, and legal regulations in Vietnam, the AML risk for security tokens in Vietnam can be assessed as **MEDIUM-HIGH**.

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2. Risk Assessment of AML for Stablecoins in Vietnam

The evaluation is based on the following factors: (1) Characteristics of stablecoins; (2) Role of stablecoins; (3) Usage of stablecoins; (4) Design of stablecoins; and (5) Legal regulations in Vietnam.

2.1 Characteristics of Stablecoins

Stablecoins are issued by an organization, but in the absence of legal regulations governing collateral assets or audits of those assets, there is a risk of loss of confidence or liquidity. For example, USDT has faced four lawsuits over suspicions of not maintaining sufficient collateral for the issued USDT.

To date, there is no specific definition of stablecoins. However, stablecoins can be understood as cryptocurrencies with stable value, pegged to another stable asset such as gold or legal tender like USD, EUR, etc. Additionally, some stablecoins achieve price stability through algorithms (algorithmic stablecoins). For instance, Tether's USDT is pegged to the value of the US dollar (USD), so if the USD depreciates on the forex market, the value of USDT would also decrease.

Aside from its low volatility, stablecoins retain all the features of a cryptocurrency: global reach (cross-border), decentralization, and anonymity. Therefore, stablecoins can pose similar AML risks as regular cryptocurrencies.

(For instance, stablecoins may be used for pseudonymous transactions without verifying the identity of the holder. Users can transact with stablecoins without involving financial institutions obligated to apply AML measures, which limits the collection and investigation of information and the use of preventive measures to identify illicit financial activities. Moreover, stablecoins operate on distributed ledger technology, enabling stablecoin transactions to occur globally without regard for national borders. This makes it extremely challenging to manage the participants in these transactions, as their geographical locations cannot be identified.)

The extent of these risks depends on various factors, including the level of public acceptance, stablecoin structural design, and the adoption of AML measures.

2.2 Role of Stablecoins

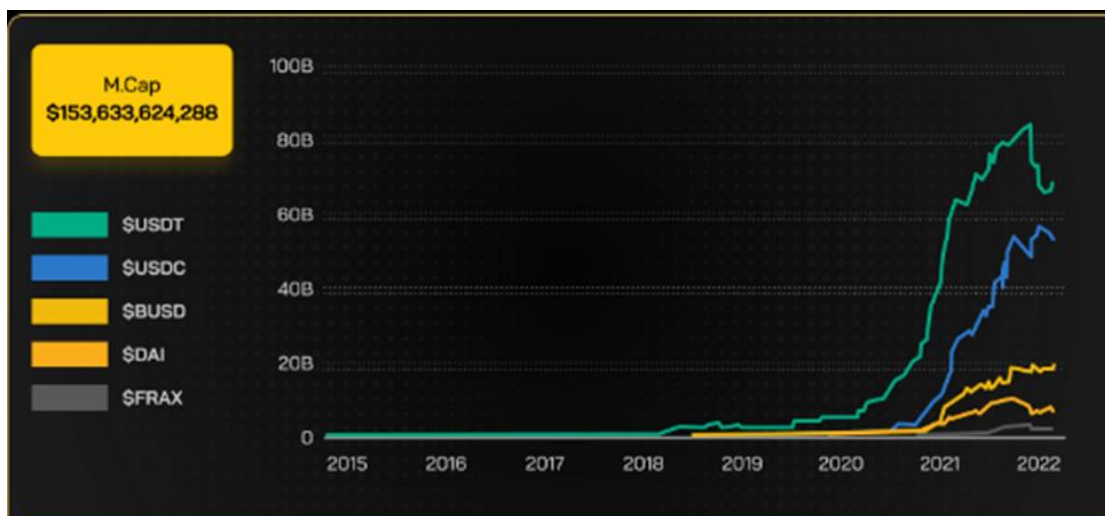
Initially, stablecoins emerged to address the primary challenge in the current cryptocurrency market, which is volatility. For investors, they can switch to stablecoins to avoid cryptocurrency volatility without needing to convert back to legal tenders. Stablecoins are often seen as a bridge between the cryptocurrency market and traditional financial markets.

With the rising popularity of decentralized finance (DeFi) applications, stablecoins have become intermediaries for payments and liquidity providers in DeFi. Consequently, transactions involving stablecoins have surged rapidly.

Hence, it's clear that stablecoins have assumed a vital role in the cryptocurrency ecosystem, being frequently used in cryptocurrency transactions and serving as a key liquidity provider in DeFi.

2.3 Usage of Stablecoins

- Market Capitalization of Stablecoins:



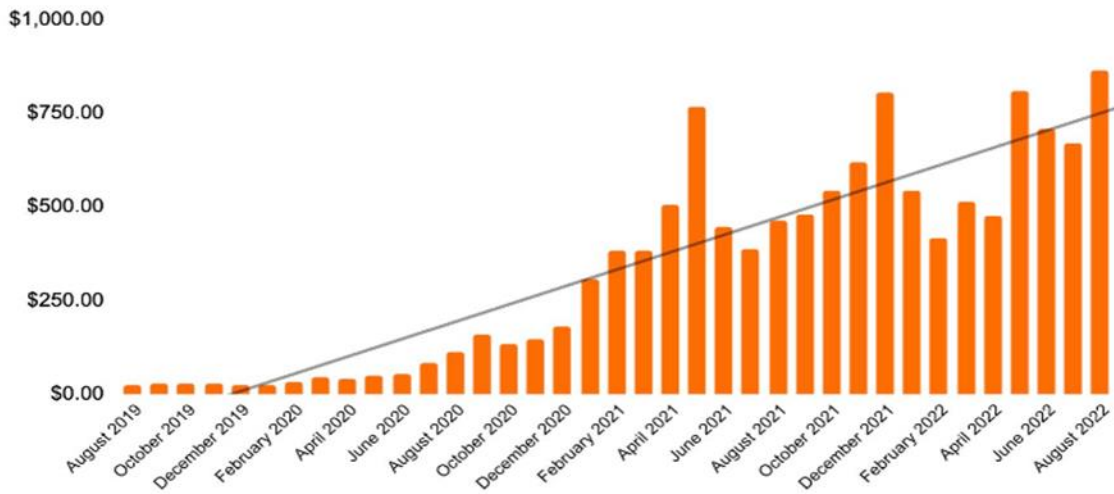
Source: Coingecko, updated August 22, 2022

As of August 22, 2022, data from Coingecko indicates that the market capitalization of stablecoins stands at USD153.6 billion, representing over 14% of the total cryptocurrency market capitalization. The data also reveals a steady upward trend in stablecoin market capitalization over the years, with an increase of more than 100-fold since 2018. The top five stablecoins by market capitalization (USDT, USDC, BUSD, DAI, and FRAX) now dominate, holding over 95% of the stablecoin market share.

Stablecoins Trading Volume:

Given the critical role of stablecoins in the cryptocurrency market (as analyzed in section 2), the sector has seen significant growth, with trading volumes consistently reaching new milestones. Over the past two years, stablecoins have exhibited consistent growth, and as of August 2022, stablecoin trading volume hit the USD1 trillion mark (see chart below).

On-Chain Stablecoin Volume (\$ Billions)



Source: CoinMetrics

Therefore, the increasing global market capitalization and usage of stablecoins heighten the potential for misuse of stablecoins for AML/CFT purposes.

2.4 Design of Stablecoins

Most popular stablecoins are issued by a centralized entity. In theory, these organizations can monitor and prevent suspicious transactions. Additionally, stablecoins are generally not designed to maximize anonymity, reducing the risk of stablecoin misuse for AML activities.

2.5 Legal Framework in Vietnam

In Vietnam, virtual assets are not yet regulated by law, especially in areas such as anti-money laundering. The business, trading, transferring, and fundraising activities involving virtual assets are not prohibited, which significantly increases the threat of stablecoins and other virtual assets being used for money laundering purposes.

Evaluation factors	Increased AML risk	Reduce AML risk
Characteristics of stablecoins (decentralized, anonymous and cross-border)	X	
High liquidity plays an important role in transactions on DeFin	X	
Increasing trading volume increases over a long period of time becomes increasingly popular	X	

Most popular stablecoins are issued by a centralized entity and generally not designed to maximize anonymity		x
Virtual assets are not yet subject to regulation and management by law, including the field of money laundering prevention. Business activities, buying, selling, transferring, and raising capital with virtual currency are not prohibited.	x	

Given an overview of the characteristics, usage patterns, and legal framework in Vietnam, the AML risk associated with stablecoins in Vietnam is assessed as HIGH.

3. Risk Assessment of AML for Utility VAs in Vietnam

This assessment is based on the following factors: (1) Characteristics of Utility VAs; (2) Prevalence of Utility VAs; and (3) Relevant legal regulations in Vietnam.

3.1 Characteristics of Utility VAs

According to the European Banking Authority's assessment and advisory on crypto-assets¹⁶⁹, Utility VAs are a type of virtual assets built on technology platforms, representing the right to access or use a specific product or service (e.g., loyalty points). Typically, Utility VAs are restricted to a particular group of products or services and are not accepted as a medium of exchange like some virtual assets with payment functions (e.g., Bitcoin, Litecoin).

Utility VAs are usually issued by product or service providers on independent technology platforms and cannot be freely traded on virtual asset exchanges. Since Utility VAs are tied to the use of specific products or services, they are often issued to identified users, resulting in relatively low anonymity.

Given their limited use for specific products or services, Utility VAs are not considered attractive value transfer tools for criminal activities.

3.2 Prevalence of Utility VA

With the support of open-source technology, creating Utility VAs has become increasingly accessible. As a result, Utility VAs have grown in popularity, with many companies using them as a means to attract investment (users pay for Utility VAs to access and use the products or services developed or planned by these companies).

¹⁶⁹ EBA (2019), "Report with Advice for the European Commission on Crypto-Assets", 9 January 2019.

However, since the issuance of Utility VAs can occur freely without regulation by state authorities, there have been recorded cases where projects or companies have issued Utility VAs for fraudulent purposes, aiming to defraud individual investors.

3.3 Legal Regulations in Vietnam

In Vietnam, virtual assets, including Utility VAs, are not yet regulated by law, particularly concerning AML. The business, trading, transferring, and fundraising activities involving virtual assets are not prohibited, which significantly raises the threat of Utility VAs and other virtual assets being used for money laundering purposes.

Conclusion

Evaluation factors	Increased AML	Reduce AML risk
Decentralization	X	
Anonymity		X
Low liquidity		X
Cross-border nature	X	
Popularity and trading volume	X	
Not subject to the management or supervision of management agencies	X	
In Vietnam, virtual assets are not yet subject to regulation and management by law, including in the area of anti-money laundering.	X	

Considering the characteristics, level of usage, and legal regulations in Vietnam, the AML risk for Utility VAs in Vietnam is assessed as HIGH.

4. Risk assessment for virtual assets platform in Vietnam

4.1 Characteristics of virtual assets platform

Virtual Asset Platforms (VAPs) refer to native assets of a blockchain network, typically in the form of cryptocurrencies. Examples include ETH on the Ethereum network, Bitcoin on the Bitcoin network, BNB on the BNB Chain, and ADA on the Cardano network. These cryptocurrencies serve two main purposes: (i) rewarding miners and/or validators for adding new blocks to the blockchain, and (ii) paying transaction fees on the network.

It's important to distinguish virtual assets platform from non-virtual assets platform, which are developed on these platforms. For example, there are hundreds of tokens built according to standards set by Ethereum developers (such as the ERC20 standard) to enable these tokens to function within smart contracts on the Ethereum network. When users transact using these tokens on the blockchain, transaction fees are paid using the virtual assets platform.

Virtual asset platforms typically possess large market capitalizations and trading volumes, playing a leading role in the market due to their "platform" nature.

4.2 Inherent Risks of Virtual Asset Platforms

The inherent AML risks associated with virtual asset platforms are similar to those of pseudo-anonymous virtual assets. In fact, many virtual asset platforms also exhibit pseudo-anonymous characteristics.

4.3 Vulnerability of Virtual Asset Platforms to National Interests

Due to their large market capitalizations and significant numbers of holders, the systemic risks of these assets can potentially impact large numbers of customers across many countries. For example, the Luna cryptocurrency (now renamed Luna Classic) was the native cryptocurrency of the Terra blockchain and was used in the algorithm to stabilize the price of the stablecoin UST¹⁷⁰. In May 2022, Luna's value plummeted from nearly \$120 to around \$0.00004 due to liquidity risks, and the value of the UST stablecoin dropped from \$1 to \$0.02¹⁷¹. The crash of Luna wiped out approximately \$45 billion of investor capital and led to various other repercussions for the global virtual asset market.

Conclusion

Virtual asset platforms carry similar AML risks to pseudo-anonymous virtual assets—rated as **MEDIUM-HIGH**. Additionally, they pose systemic risks due to their large market sizes.

5. AML Risk Assessment for VASPs Offering Wallet Services, Virtual Asset Management, and Virtual Asset Investment Funds

5.1 Characteristics of VASPs Offering Wallet Services, Virtual Asset Management, and Virtual Asset Investment Funds

According to Financial Action Task Force (FATF), a Virtual Asset Service Provider (VASP) is any individual or entity that conducts business by performing one or more of the following activities for another individual or entity:

Swap between virtual assets and fiat currencies

Exchange between one or more types of virtual assets

¹⁷⁰ The algorithm is designed to have the system "mint" a corresponding amount of UST in exchange for a certain amount of Luna being "burned."

¹⁷¹ Reference at: <https://yourstory.com/the-decrypting-story/terra-luna-ust-stablecoin-crypto-crash>
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Virtual assets transfer

Holding and/or management of virtual assets or control virtual assets

Participation in and provision of financial services related to issuers and/or sellers of virtual assets

Virtual asset custody services involve providing storage for virtual assets or holding private keys for a virtual asset on behalf of someone else. Management services include overseeing virtual assets for or under the authority of someone else. Control entails holding, buying, selling, transferring, or using virtual assets. Custody and management services encompass individuals who control private keys linked to virtual assets owned by others or control smart contracts representing virtual asset ownership for others. In other words, VASPs offer services or business models that function as virtual asset custodians for others or have the right to manage or transfer virtual assets at the request of the owner or service user. Companies providing infrastructure platforms for VASPs, such as data clouds or signature verification services, are not considered VASPs. Additionally, software developers who solely create and sell software or hardware are not considered VASPs. In other words, individuals or entities that merely participate in operating the virtual asset network without engaging in or supporting any VASP activity do not qualify as VASPs according to FATF standards, even if they conduct business in that capacity.

Virtual asset wallet services offer storage services for virtual assets or fiat currency for customers to enable conversions or transfers between virtual assets or virtual assets and fiat currency. There are two types of wallets:

Custodian Wallets: The private keys of the asset owner are stored by a third party. The service agreement does not grant full control to the owner, but the assets are held by the wallet service provider. Coinbase is a typical example.

Non-Custodian Wallets: The private keys are held by the asset owner, granting them full control over the virtual assets. Examples include Bitcoin.com client, BRD, Blockchain, BTC.com, Electron Cash, Copay, Jaxx, Coinomi, Edge, etc.

Virtual asset management services and investment funds are specialized in investing in virtual currencies. The first Bitcoin ETF, Purpose Bitcoin ETF, was launched on the Canadian stock market and traded on the Toronto Stock Exchange under the ticker BTCC in February 2021. In October 2021, the U.S. Securities and Exchange Commission (SEC) approved the listing of the ProShares Bitcoin Strategy ETF (BITO) on the NYSE.

5.2 Role of VASPs Offering Wallet Services, Virtual Asset Management, and Virtual Asset Investment Funds

Crypto asset management firms provide portfolio management services focused on digital assets on blockchain platforms such as NFTs and cryptocurrencies. This includes buying, selling, and exchanging these assets. Managing investments

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across multiple types of digital currencies and wallets can be challenging and poses financial risks. Virtual asset management companies can assist with portfolio and asset management to reduce risks, similar to managing traditional tangible assets.

Recently, investment tools in the form of crypto Exchange Traded Funds (ETFs) have gained popularity. These funds allow investors exposure to cryptocurrencies without directly holding them. These funds buy cryptocurrencies and then issue fund shares. When purchasing these fund shares, investors indirectly own cryptocurrencies. This allows them to gain exposure to assets such as Bitcoin and Ether without directly holding them. Crypto ETF prices fluctuate daily based on investors' buying or selling activity. Unlike active investments through asset management companies, buying crypto ETF shares is a passive investment.

Cryptocurrencies are not recognized as legal tender in many countries, but several nations permit the operations of virtual asset management companies and crypto ETFs. As a result, investors can legally invest in cryptocurrencies and digital assets through these channels.

Wallets store public and private keys for identifying individual wallets. Software creates data that helps users manage their digital assets, enabling them to send and receive cryptocurrencies through blockchain transactions. When transferring cryptocurrencies, users must provide a digital signature generated by an algorithm with the help of their private key. If the provided private key is incorrect, the signature will be invalid. Virtual asset owners use wallets to securely and safely hold their digital assets.

5.3 Prevalence of VASPs Offering Wallet Services, Virtual Asset Management, and Virtual Asset Investment Funds

According to statistics, Grayscale Investments, founded in 2013, is one of the world's largest crypto asset management firms, managing digital assets worth up to USD 45.1 billion as of April 2021¹⁷². This company is registered and operates within the regulations of the US Securities Exchange Commission (SEC).

In contrast, two ETFs from Amplify Investments—Amplify CWP Enhanced Dividend Income ETF (DIVO) and Transformational Data Sharing ETF (BLOK)—have assets of approximately USD 2.3 billion and USD 400 million, respectively, as of November 2022¹⁷³.

A report from U.S.-based Cerulli Associates financial research and advisory firm indicates that many funds focusing on a broader crypto space, including blockchain, registered operations in Singapore, Hong Kong, and South Korea last year.

¹⁷²<https://influencermarketinghub.com/crypto-asset-management-companies/>

¹⁷³ <https://etfdb.com/etfs/issuers/amplify/>

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Regarding crypto wallets, while cryptocurrencies are not recognized as a legal means of payment in Vietnam, people continue to invest in them, making the use of crypto wallets for storage quite prevalent. In Vietnam, users have access to various wallets, such as Coinbase, Blockchain, etc.

Currently, only around 50 countries have legalized VASP operations or investments in digital assets, setting requirements for VASPs to register for legal operations. VASPs must comply with specific legal standards on AML/CFT in the relevant countries. The fact that not all countries regulate VASP activities and the borderless nature of VASPs enables individuals and organizations in countries that do not recognize VASP activities to transact with VASPs in other countries, making the risk of AML/CFT through VASPs high.

5.4 AML/CFT Risks Related to VASPs Offering Wallet Services, Virtual Asset Management, and Virtual Asset Investment Funds

Distribution Channels: The internet-based nature of virtual assets allows for anonymity and a lack of direct, face-to-face interaction. Anonymous Internet Protocols (IP) addresses can further obscure transactions or activities, impeding VASPs' ability to know their customers and implement effective AML/CFT measures.

Customer Risk: VASPs tend to be considered high-threat exposure to criminals and organized crime. This sector is seen as attractive to these types of customers due to its ability to reduce transparency and obscure the flow of funds. The risk of terrorist financing is also high—terrorist organizations and supporters continuously seek to fund and transfer money without detection or traceability by law enforcement.

Country Risk: VASPs may have substantial exposure to high-risk countries through internet channels due to their borderless nature. Exchanges, intermediaries, or service providers may operate in jurisdictions with little or no AML/CFT regulations, allowing countries or individuals to circumvent international sanctions.

Counterparty Risk: Transactions involving VASPs and other VASPs, such as exchanges and other wallet providers, can present AML/CFT risks if those VASPs lack robust AML/CFT risk controls.

Anonymity Risks of Virtual Assets: VASPs dealing with virtual assets provide varying levels of anonymity for names and transaction details, contrary to the principles of customer due diligence and transaction reporting, both of which are core components of AML/CFT.

5.5 Legal regulations in Vietnam

In Vietnam, virtual assets and virtual asset service providers are not subject to regulation and management by law, leading to the threat of using virtual asset

services to carry out transactions for the purpose of money laundering to hide criminal assets or assets from embezzlement, corruption or terrorist financing .

Evaluation factors	Increased AML risk	Reduce AML risk
Product and service distribution channels: Ability to anonymize users and transact without face-to-face meetings	x	
Risks related to customers and partners	x	
Risk by country: Borderless nature of transactions through VASP	x	
Risk of anonymity of virtual assets	x	
Virtual assets are not yet subject to regulation and management by law, including the field of money laundering prevention. Business activities, buying, selling, transferring, and raising capital with virtual currency do not comply with regulations on AML	x	

Based on the synthesis of characteristics, usage level and legal regulations in Vietnam, the inherent AML risk associated with VASPs in Vietnam can be assessed as **HIGH**.

IV. Conclusion

The emergence and rapid, diverse, and increasingly complex development of virtual assets, driven by modern technological platforms, have posed significant challenges to management, particularly in the areas of AML and counter-terrorist financing. These challenges are even more pronounced and risky for countries like Vietnam, where there are still significant legal gaps.

In Vietnam, virtual assets are not yet subject to legal regulation or management, especially in the context of AML. However, the business activities, trading, transferring, and fundraising through virtual currencies are not prohibited, which significantly heightens the threat of virtual currencies being used for money laundering purposes. Meanwhile, international surveys indicate that Vietnamese interest in virtual assets is very high.

CHAPTER 10: MONEY LAUNDERING RISK FOR ENVIRONMENTAL CRIMES

I. Overview of environmental crimes in Vietnam

Research on "Environmental Crime" is increasingly drawing attention from the government, international organizations, and NGOs. According to UNEP and INTERPOL (2016) ¹⁷⁴, "Environmental Crime" is a broad term describing illegal activities that harm the environment and are intended to benefit individuals, groups, or companies through the exploitation, damage, commercialization, or unauthorized extraction of natural resources. This includes, but is not limited to, serious crimes and transnational organized crime. According to FATF (2019) ¹⁷⁵, environmental crime is designated as a predicate offence of money laundering.

In Vietnam, environmental crimes are understood as socially dangerous acts defined in the Criminal Code, committed by individuals with criminal responsibility, that violate state regulations on environmental protection.¹⁷⁶ The 2015 Penal Code amended and supplemented in 2017 continues to be improved, regulating environmental crimes in Chapter 19 including 12 articles from Article 235 to Article 246, accordingly there have been many innovative contents on crime groups, environmental crimes and a new crime have been added (Article 238). For the first time, the Criminal Code also stipulates the criminal liability of commercial legal entities, marking a significant legal breakthrough in Vietnam's criminal law. Although limited to commercial entities, this provides a legal basis for prosecuting these entities when they engage in criminal activities that cause environmental pollution.

Within the scope of this report, environmental crimes are approached for research and evaluation in three main areas as follows:

- Environmental Protection: Violations primarily involve failing to fully implement environmental impact assessment reports, not operating wastewater and exhaust treatment systems, or only operating them to circumvent regulations; discharging untreated or non-compliant wastewater; illegally transferring industrial or hazardous waste to unauthorized entities; improper collection, transfer, and transportation of hazardous waste; misuse of agricultural chemicals and pesticides; improper waste management at concentrated livestock farms; and longstanding environmental pollution in craft villages that has not been effectively addressed.

- Resource Management and Exploitation: Violations include unauthorized mining beyond licensed areas, exceeding permitted levels, or continuing operations after licenses have expired; using hazardous chemicals; failing to restore and

¹⁷⁴UNEP-INTERPOL (2016), The rise of environmental crimes: a growing threat to natural peace, development and security.

¹⁷⁵ECOFEL (2021). Financial investigations into wildlife crime.

¹⁷⁶Le Cam (editor) (2003), Vietnamese Criminal Law Textbook, Crimes section, Hanoi National University Publishing House.

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rehabilitate the environment after exploitation; illegal mining, transportation, and trading of minerals (sand, gravel, soil, rock, coal, gold) without legal origin; and ineffective prevention of illegal logging, particularly in central, highland, and southern provinces. In addition, some violations involve exploiting natural resources under the guise of approved investment projects, especially in hydropower, exploiting forest products outside the converted area, exploiting minerals during the construction process to gain unauthorized benefits.

Wildlife Protection: The illegal trade, transportation, and consumption of endangered, rare wildlife and their products continue to be complex issues, especially in border areas, seaports, and international gateways. Within the country, some individuals exploit legal permits to illegally breed, trade, and transport wildlife.

This chapter undertakes a money laundering risk assessment associated with environmental crimes.

The assessment is based on the collection and analysis of data related to money laundering threats arising from environmental crimes, the legal framework, policies, and enforcement mechanisms for combating these crimes, and the organization and capabilities of state agencies in preventing and combating money laundering and environmental crimes, and the consequences of this type of crime. The collected data is analyzed and scored according to the risk assessment model guided by the World Bank.

II. Analyze the threats of money laundering from environmental crimes

1. Identify threats

Environmental crime activities are often complex and well-prepared, with offenders possessing high technical expertise. These criminals frequently collude with corrupt officials in regulatory agencies and local governments to evade the law or obstruct the efforts of environmental crime police and regulatory bodies. Environmental crime is closely linked to other serious crimes, especially corruption, highlighting its growing sophistication and the vast illicit profits involved. More concerning is the collusion between domestic environmental criminals and foreign organizations or individuals who exploit legal loopholes and weaknesses in management to import outdated technologies, hazardous waste, and gradually turn Vietnam into an industrial waste dump for developed countries (especially in import-export sectors). As a developing country, Vietnam is not immune to international trends in environmental crime. Foreign elements in Vietnam's environmental crime scene are evident in several sectors: industrial waste management, the import of outdated machinery and hazardous materials, the illegal rare and precious wildlife trade, and mineral exploitation. The participants in these crimes range from organized crime groups to multinational corporations and individuals. Environmental criminals may exploit both financial and non-financial sectors to launder money obtained from their illegal activities.

Weak state management and unclear mechanisms create conditions for violations in areas like wildlife protection, forestry, fisheries, minerals and waste causing environmental pollution. The illegal hunting, transportation, and consumption of endangered wildlife and their products are particularly rampant in border areas, ports, and international gateways.

Wildlife crimes, a subset of environmental crime, involves violations of international and domestic regulations aimed at protecting natural resources. *Illegal wildlife trafficking* is a type of wildlife crime that includes smuggling, trading, or transporting protected species or their parts, regulated by the Convention on International Trade in Endangered Species (CITES).¹⁷⁷

Vietnam has been identified by international organizations as a transit country for illegal wildlife products. Currently, Vietnam is still a bridge for wildlife trade to the Chinese market. However, recently Vietnam is no longer just a transit country but has become the main destination for illegal wildlife products originating from Africa. The illegal online trade of wildlife products has also increased, particularly since the onset of the COVID-19 pandemic, making it more difficult to control. The management of some commercial wildlife farms is still ineffective and poses a potential threat of illegal trade. There is collusion between foreign nationals (including Vietnamese citizens in African countries) and domestic individuals to smuggle wildlife and their products into Vietnam. Endangered aquatic species are subject to regulation under Articles 234 and 244 of the 2015 Criminal Code. Article 242 of the Code criminalizes the destruction of fisheries resources, including the use of destructive chemicals and fishing gear. However, there have been no recorded criminal prosecutions for this offense. Administrative sanctions mainly target the use of homemade fishing gear and violations of environmental protection laws during fishing activities. *The illegal wildlife trade is considered one of the highest money laundering risk areas within environmental crime.* According to international statistics, Vietnam is among the most serious wildlife trafficking hotspots in Southeast Asia, directly contributing to the decline of hundreds of thousands of species. Specifically:

Vietnam is the second most popular destination for wildlife trafficking by air globally.¹⁷⁸

Vietnam is a major destination for illegal ivory, pangolins, rhino horn and rosewood.¹⁷⁹

Vietnamese criminal gangs have significantly contributed to biodiversity loss. Vietnamese-led criminal networks operate in many African countries, including

¹⁷⁷ECOFEL (2021). Financial investigations into wildlife crime.

¹⁷⁸ USAID ROUTES. (2020). Vietnam Wildlife Trafficking Assessment.

¹⁷⁹UNODC. (2020). World Wildlife Crime Report 2020: Trafficking in Protected Species; WJC. (2022). Ah Nam: The Downfall of Vietnam's Wolf of Wall Street.
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Angola, Cameroon, Democratic Republic of Congo (DRC), Mozambique, Nigeria, South Africa and Uganda.¹⁸⁰

Since 2010, Vietnamese criminal networks have been involved in approximately 18,000 elephant hunting cases, 111,000 pangolin hunting cases and 1,000 rhino poaching cases.¹⁸¹

The number of tigers seized between 2018-2021 tripled compared to 2014-2017, and the CITES Secretariat identified at least seven large tiger farms (among many smaller ones) in Vietnam as "concerned with wildlife trafficking".¹⁸²

Despite the immense potential of financial investigations to uncover criminal networks involved in the illegal wildlife supply chain, especially in investigating and prosecuting money laundering linked to illegal wildlife trade, financial investigations in Vietnam remain limited due to inadequate information sharing mechanisms and insufficient capacity of anti-money laundering (AML) authorities.

Criminal investigations, prosecutions, and trials for environmental crimes primarily focus on violations related to the management and protection of endangered, rare species (Article 244 of the 2015 Criminal Code, amended in 2017), violations of wildlife protection regulations (Article 234 of the Criminal Code), and forest destruction (Article 243 of the Criminal Code). Prosecutions and trials for crimes causing environmental pollution and resource exploitation remain limited. From 2018 to June 2022, Vietnamese law enforcement agencies prosecuted 2,148 cases/2,325 defendants, with 1,371 cases/2,187 defendants being prosecuted; 1,320 cases/2,118 defendants were brought to trial.

According to statistics from the Supreme People's Procuracy, from 2018 to the end of June 2022, the number of cases dealing with environmental crimes related to money laundering is: 196 cases/124 defendants; prosecuted 72 cases/92 defendants; tried 59 cases/71 defendants. The majority of these cases involved spreading dangerous infectious diseases to humans (Article 240 of the Criminal Code - 161 cases/80 defendants were prosecuted; 54 cases/64 defendants were brought to trial; 43 cases/48 defendants were sentenced). Environmental pollution crimes (Article 235 of the Criminal Code) led to 20 cases/26 defendants being prosecuted; 4 cases/9 defendants were prosecuted; and 3 cases/6 defendants were sentenced. Wildlife protection violations (Article 234 of the Criminal Code) resulted in 12 cases/15 defendants being prosecuted; 11 cases/15 defendants were prosecuted; and 12 cases/16 defendants were sentenced.

¹⁸⁰ EIA. (2021). Vietnam's Footprint in Africa An analysis of the role of Vietnamese criminal groups in wildlife trafficking.

¹⁸¹ Global Initiative. (2022b). Environmental Crime in Vietnam and Indonesia, Civil Society as Change Agents.

¹⁸² TRAFFIC. (2022). Skin and Bones: Tiger Trafficking Analysis from January 2000 – June 2022; Mongabay. (2022). Year of the Tiger: Illegal trade thrives amid efforts to save wild tigers.
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Regarding wildlife-related offenses, according to statistics compiled by the Supreme People's Procuracy in collaboration with WCS Vietnam, over the four-year period from early 2018 to the end of 2021, Vietnamese law enforcement agencies prosecuted 559 criminal cases and 727 defendants, prosecuted 479 cases and 663 defendants, and tried 455 cases and 632 defendants.

Time	Indict		Prosecute		Adjudicate	
	Number of cases	Number of defendants	Number of cases	Number of defendants	Number of cases	Number of defendants
2018-2021	559	727	479	663	455	632
2018	117	147	73	90	64	80
2019	150	197	122	189	108	151
2020	128	158	129	172	136	202
2021	164	225	155	212	147	199

In cases with detentions from 2018-2021, the total number of confiscated wildlife specimens amounted to 3,521 individuals and 46,714.64 kg, not including other types of wildlife-related evidence such as body parts and products that are not measured in these units. A total of 122 wildlife species were impacted, with the most frequently targeted species (having the highest number of related cases) being king cobras, Java pangolins, Asiatic black bears, elephants, and various species of yellow-headed box turtles. Upon reviewing several related judgments, the transaction values of these species varied widely: king cobras ranged from a few hundred thousand VND to 6 million VND per live individual; Java pangolins ranged from a few hundred thousand VND to 19.6 million VND per live individual, and 1.5 to 15 million VND per kilogram of scales; Asiatic black bears ranged from 10 to 110 million VND per live individual; elephants ranged from 8.5 to 24 million VND per kilogram of ivory; and various species of yellow-headed box turtles ranged from 800,000 VND to 1.3 million VND per live individual. One notable case recorded during this period involved Nguyễn Đức Tài (born in 1989, temporarily residing in Da Nang), who was sentenced to 10 years in prison for "Violating regulations on the protection of endangered, precious, and rare animals" and 3 years in prison for "Forgery of seals, documents of agencies, and organizations." In this case, Tài traded over 10 tons of rhino horn, ivory, lion bones, and pangolin scales with a total value reaching 300 billion VND.

According to the UNODC's 2020 report, wildlife crime is assessed as a serious, organized crime closely associated with money laundering. The illegal trade in

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wildlife typically involves multiple stages and numerous participants within the supply chain, including cross-border transportation. To conceal and launder illicit funds derived from illegal wildlife trade, transnational organized crime groups exploit vulnerabilities in both the financial and non-financial sectors, thereby facilitating violations of wildlife regulations and harming financial and monetary security. As a result, tracking the financial flows of individuals involved in these networks is challenging and requires coordination among various entities such as Customs, Police, Banks, and financial companies. Recently, electronic money transfers have become more prevalent, such as transfers via WeChat, Alipay, etc. Financial investigation is a crucial step in identifying asset sources, money flows, intended uses, and the money usage process. Financial intelligence units, banks, financial service providers, and law enforcement agencies play an essential role in financial investigations to assess and prevent money laundering crimes stemming from illegal wildlife trade.

Investigations reveal that environmental crime in the coming period is likely to exploit loopholes in legal regulations regarding environmental resource monitoring. This crime is expected to rise with the emergence of new environmental violations characterized by sophistication, making it difficult to assess the danger to society and the environment, and potentially causing severe societal consequences, including the use of specialized, diverse, and complex criminal networks to facilitate the movement of financial flows generated by these criminal activities. Transnational environmental crimes tend to form more professional and clear lines, with the participation of many domestic and foreign individuals and organizations; Domestic environmental crimes will be more complicated, especially with commercial legal entities and other organizations related to the State's policy institutions ¹⁸³.

2. Challenges in the fight against environmental crimes

In recent times, the Vietnamese government has made efforts to complete the legal framework to enhance environmental and resource management, reduce environmental pollution, and strengthen wildlife protection. However, in practice, it is difficult to identify criminal acts that harm the environment because:

- Form of behavior that directly impacts the environment. Environmental crimes are committed through actions such as hunting, killing, breeding, detaining, transporting, or illegally trading individual animals or animal body parts or products from endangered, precious, and rare species, as well as other natural resources like timber, forests, and minerals....

Type of behavior that indirectly impacts the environment - These are acts that do not directly affect the environment but indirectly infringe upon it. A significant portion of these crimes is "protected" by administrative permits from authorities. For

¹⁸³<https://congan.phuyen.gov.vn/tin-moi-truong/tinh-hinh-toi-pham-ve-moi-truong-va-mot-so-du-bao-ve-xu-huong-van-dong-1712.html>
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example, the issuance of mining permits, forestry production, waste trade, and the hunting or exploitation of flora and fauna. Through these permits, many environmental destruction acts are not considered illegal exploitation, leading to difficulties in handling by competent authorities. Authorities often face challenges in determining jurisdiction over environmental crimes, as the crime may occur in one place but cause consequences elsewhere.

However, no matter the form of behavior and no matter how difficult it is to determine the damage caused, environmental damage is only considered a crime when the act is prohibited by criminal law and has been referred to in court. The provisions of the specialized Environmental Protection Law or in other words have been recognized as crimes in the Penal Code. In cases where the behavior is assessed to have a high level of danger but at that time has not been regulated by the Criminal Code as an environmental crime, there is no basis to determine it as a crime. Therefore, awareness of environmental crimes has a great influence on the handling of environmental crimes.

- The damage caused by environmental crime is difficult to quantify and ascertain, having long-term negative impacts on human health and rights. This damage can include the death of numerous animals, the spread of diseases among animals and plants, the proliferation of insects that harm crops, and fundamental changes in radiation levels causing serious harm. The criteria for identifying crimes are diverse, and the different quantifiable factors reflect a reduction in social values of environmental entities. However, the harm caused by environmental crime does not correspond to the financial losses that can be calculated, as the negative effects of this type of crime have long-lasting impacts on the environment and human health. Clearly, it is difficult to accurately assess these damages, particularly in terms of health.

Practice shows that the negative effects of environmental crimes do not manifest immediately after they are committed. The difficulty in quantifying the damage and establishing a causal relationship between the act and the resulting harm is determined by the slow manifestation of the negative impacts of environmental crimes. Furthermore, the consequences of environmental crime are often difficult to separate from the effects caused by other factors. Therefore, when identifying damages, it is necessary to differentiate according to each element, each environmental component, and groups of affected subjects, in conjunction with other factors to pinpoint the actual damage.

III. Gap analysis

1. Legal provisions related to the prevention and combat of environmental crimes

Over the years, the Vietnamese government has shown a strong commitment to international conventions and agreements by implementing various policies and

regulations to enhance environmental protection and resource management. Vietnam has established a comprehensive legal framework, including laws, decrees, circulars, and related documents such as:

Environmental Management Legislation: This includes the Law on Environmental Protection, the Law on Biodiversity, the Law on Investment (which outlines prohibited and conditional business activities, including the prohibition and conditional investment in wildlife), the Law on Forestry, the Law on Fisheries, Decree 160/2013/ND-CP dated November 12, 2013, which defines criteria for identifying species and management regimes for species listed as endangered, precious, and rare and prioritized for protection; Decree 06/2019/ND-CP on the management of endangered, precious, and rare wild plants and animals, and the implementation of the CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora, Decree No 84/2021/ND-CP Amendments to Government's Decree No 06/2019/ND-CP dated 22/01/2019.

Violation Handling Legislation: This includes the 2015 Penal Code, as amended in 2017; Decree 35/2019/ND-CP dated April 25, 2019, on administrative penalties in forestry; Decree 42/2019/ND-CP dated May 16, 2019, on administrative penalties in fisheries; and Resolution No. 05/2018/NQ-HDTP dated November 5, 2018, by the Supreme People's Court, guiding the application of Article 233 on violations of wildlife protection regulations and Article 244 on violations of regulations on protecting endangered, precious, and rare animals in the Penal Code; Decree 45/2022/ND-CP dated 07/07/2022 of the Government on administrative penalties related to the environment protection. Decree No 07/2022/ND-CP dated 10/01/2022 providing amendments to Decree on Penalties for Administrative violations against regulations on forestry, plant protection and quarantine, veterinary medicine and animal husbandry

The 2015 Penal Code, as amended in 2017, includes two specific articles (Article 234 on violations of wildlife protection regulations and Article 244 on violations of regulations on protecting endangered, precious, and rare animals). These articles not only establish the framework for penalties but also significantly increase the severity of criminal punishments. Specifically, fines have been quadrupled, and imprisonment terms have been increased by 2.5 times compared to the 1999 Penal Code. These changes are crucial in the effort to protect wildlife species. The application of strict criminal sanctions will help reduce illegal hunting, trading, and transportation of endangered, precious, and rare species. Notably, the 2015 Penal Code introduced criminal liability for commercial entities, a groundbreaking innovation reflecting progressive thinking in Vietnam's criminal legislation. Accordingly, commercial entities are criminally liable for five out of six offenses, including: (i) destruction of aquatic resources (Article 242); (ii) forest destruction (Article 243); (iii) violations of regulations on the protection of

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endangered, precious, and rare animals (Article 244); (iv) violations of regulations on the management of nature reserves (Article 245); and (v) importation and dissemination of invasive alien species (Article 246).

Loopholes in the legal framework:

Currently, there is no specific guidance on the criminal liability of commercial entities, creating significant challenges for authorities in applying the Penal Code to address environmental crimes committed by these entities. For example, in cases where the commercial entity is a single-member LLC established by an individual, there are no dissolution regulations, especially regarding legal responsibilities, as the entity is often permanently suspended according to Article 79 of the 2015 Penal Code. These entities often dissolve themselves before other penalties can be applied. The sign *"has been administratively sanctioned but continues to violate"* is prescribed as a sign of criminality in the 2015 Penal Code in Articles 241, 242, 243, 244, 245, 246, which still has shortcomings. Administrative penalties are only valid for one year, meaning repeat offenses after this period may not lead to criminal prosecution, even if the offenses are severe.

Article 244 of the 2015 Penal Code (as amended in 2017) only addresses criminal liability for illegal storage, transportation, and sale of animal products from species listed as endangered, precious, and rare and prioritized for protection. However, it does not cover illegal activities involving animal products from species listed as endangered, precious, and rare under Group IB or Appendix I of CITES.

Article 244 of the Penal Code 2015 (amended and supplemented in 2017) based on the number of abused individuals as a basis for criminal prosecution and framing of penalties that cause problems in investigation, prosecution and trial. For example, in the case of an individual or legal entity trading up to 17 individuals of protected animals belonging to group IB or CITES Appendix I (for example, 02 individuals of mammals, 06 individuals of birds or reptiles and 09 fish). animals belonging to other classes) will not be prosecuted for criminal liability, while a subject found to be trafficking 03 animals belonging to Group IB or CITES Appendix I will be punished according to the provisions of clause 1. 1 Article 244 of the Penal Code. This shows the inequity between the dangerous level of behavior compared to the corresponding sanctions and can lead to the possibility of criminals being missed.

Article 234 of the 2015 Penal Code (as amended in 2017) requires that evidence of endangered, precious, and rare species from Group IIB or Appendix II of CITES be valued at 150 million VND or more. However, determining the value of specimens from Appendix II CITES species that are not distributed in Vietnam has proven difficult in practice.

Clause 2, Article 3 of Resolution 05/2018/NQ-HDTP, dated November 5, 2018, guides the aggravating factor "hunting during prohibited times" (stipulated in Point đ, Clause 2, Article 234 of the Penal Code, and Point h, Clause 2, Article 244

of the Penal Code) as hunting endangered, precious, and rare species during their breeding or migration seasons. However, no authoritative document has yet defined the specific breeding or migration periods for each species.

Clauses 5 and 6, Article 2 of Resolution 05/2018/NQ-HDTP, explain the concepts of "vital body parts" and "products of endangered, precious, and rare species," listing certain parts and products like the head, heart, liver, horns, tusks, and legs. However, it is unclear whether other parts, such as pangolin scales, which are vital for survival, are considered "vital body parts."

The issuance of Decree No. 160/2013/ND-CP dated November 12, 2013, by the government on criteria for identifying and managing species listed as endangered, precious, and rare and prioritized for protection (amended by Decree No. 64/2019/ND-CP dated July 16, 2019) and Decree No. 06/2019/ND-CP dated January 22, 2019, on the management of endangered, precious, and rare wild plants and animals and the implementation of the CITES Convention (amended by Decree No. 84/2021/ND-CP dated September 22, 2021), presents inconsistencies. A single species is subject to 20 different management regimes, 02 separate administrative registration procedures, and 02 distinct specialized management agencies.

2. Law Enforcement Capacity and Effectiveness in Environmental Crime Prevention and Financial Investigations

Vietnam's governmental structure for environmental management and law enforcement is decentralized from central to local levels. At the central level, the responsibility is divided among several ministries: the Ministry of Natural Resources and Environment; the Ministry of Agriculture and Rural Development (Forest Rangers); the Ministry of Finance (Customs); the Ministry of Public Security (Environmental Crime Police); and the Ministry of Industry and Trade (Market Management). At the local level, provincial and city-level People's Committees oversee and direct environmental protection efforts. These agencies have different roles and responsibilities and coordinate in activities like inspections, investigations, and handling legal violations related to environmental resources.

In practice, combating illegal wildlife trade faces significant challenges, such as difficulties in quantifying the basis for criminal or administrative penalties for offenses like trading, transporting, and storing products from endangered species, including processed products (e.g., animal hides, gallbladders). Determining the composition of processed wildlife products (e.g., gallbladders) or products that have been chemically treated (e.g., belts, handbags) or diluted (e.g., bile, gallbladders) to identify their origin species poses difficulties for authorities when applying Articles 234 and 244 of the 2015 Penal Code (as amended in 2017).

The fight against AML related to environmental crimes, particularly illegal wildlife trade, is fraught with difficulties, including (1) a lack of specialized personnel (officers lack experience and in-depth training), (2) incomplete legal

frameworks, and (3) ineffective coordination and information-sharing mechanisms, especially between the banking system and law enforcement agencies. There is no clear legal basis for sharing information on money laundering risks related to environmental crimes between relevant agencies, nor is there clear division of responsibilities between parties.

Financial investigations in environmental crime cases, especially illegal wildlife trade, remain limited. The absence of regulations on tracing money flows, determining the value of goods, identifying suspicious money laundering indicators related to illegal wildlife trade, and guidelines on information-sharing and inspection have led to difficulties in law enforcement. Furthermore, awareness among law enforcement officials regarding AML efforts is limited, and training programs on AML have not been widely implemented, with insufficient funding allocated to capacity-building efforts.

A survey on the awareness and capacity of the Financial Intelligence Unit (FIU) and financial service providers regarding AML risks related to illegal wildlife trade, conducted by WCS Vietnam in collaboration with the Banking Academy (2022), revealed that Vietnamese authorities have yet to detect, report, or prosecute any money laundering cases stemming from illegal wildlife trade. According to Anti-Money Laundering Department (SBV), since 2016, only two suspicious transaction reports related to illegal wildlife trade have been submitted by commercial banks and non-bank financial institutions to the Anti-Money Laundering Department. The survey also identified several challenges, including legal framework gaps, internal regulations, information-sharing mechanisms, coordination in investigations, and the awareness, capacity, and experience of law enforcement agencies and financial institutions in identifying, detecting and handling money laundering crimes related to illegal wildlife trade.

On the Legal Framework for AML: The AML regulations have been generally well-developed and comprehensive. However, the current penalties for money laundering lack deterrent effects. Given the complex and sophisticated nature of financial crimes, most commercial banks have established specialized AML departments or appointed dedicated officers to handle such matters and implement risk mitigation measures when detecting potential money laundering activities. Nevertheless, they still face challenges in identifying money laundering risks arising from the illegal wildlife trade.

Moreover, the legal framework remains incomplete regarding reporting, inspection, and auditing procedures, as well as the regulations on proving the value of goods and the origins of financial flows.

On Coordination Mechanisms and Information Sharing for AML Investigations Related to Illegal Wildlife Trade:

Lack of legal basis for sharing and exchanging information related to AML activities connected to illegal wildlife trade, including the granting of legal authority to a designated agency;

Staff lack knowledge and operational experience;

There is no common network between State Bank, non-bank financial institutions and authorities in sharing information, warnings, and coordination to investigate money laundering risks related to illegal wildlife trade;

Difficulties in accessing and connecting relevant units outside the industry;

Regulations on information security.

Currently, information sharing and coordination in investigating money laundering crimes are mainly conducted between the State Bank of Vietnam , commercial banks , the Police and Customs. However, up to now, there is no clear legal basis associated with the exchange of information on money laundering risks related to environmental crimes between relevant agencies and a lack of clarity in the division of responsibilities between parties.

On Awareness, Capacity, and Experience of Relevant Personnel:

Lack of personnel with specialized experience (officers do not have experience in handling and have not received in-depth training) in AML works;

Banking personnel' capacity on anti-trafficking related to illegal wildlife trade is still low, because this is a relatively new field, training courses on this topic in Vietnam remain very limited;

Furthermore, according to surveys conducted by WCS Vietnam in 2020 and 2021, involving officials from the Police, Prosecutor's Office, and Courts, the lack of information, resources, and inter-agency cooperation also limits law enforcement agencies' ability to comprehensively assess and prevent money laundering threats arising from wildlife protection law violations. The surveys also indicate that the Police face limitations in money laundering investigation techniques, financial information gathering, and a lack of financial intelligence provided by financial investigation units or financial institutions. Meanwhile, prosecutors, judges, and other judicial officers often do not have sufficient information or evidence about money laundering activities linked to the illegal wildlife trade to effectively prosecute such cases. These limitations, along with challenges in inter-agency coordination, contribute to delays in conducting financial investigations or pursuing money laundering cases associated with wildlife crime.

IV. Conclusion

Based on statistical data on prosecutions and trials from 2018 to June 2022, compared to other predicate offenses of money laundering, the number of cases and defendants tried for money laundering originating from environmental crimes is

relatively low. Compared to other types of crimes, the number of cases and defendants tried for environmental crimes is insignificant compared to other predicate offences of money laundering. However, the amount of money and assets lost due to cross-border wildlife trade is substantial and remains largely uncontrolled, posing significant money laundering threats.

Given the practical situation of environmental crime in Vietnam and the analysis and assessments provided above on AML efforts concerning environmental crime, the following conclusions can be drawn:

The money laundering threat associated with environmental crime is assessed as Medium-High, and the vulnerability level of environmental crime is rated as Medium. Therefore, the overall money laundering risk related to environmental crime is classified as MEDIUM-HIGH.

PART 2: MONEY LAUNDERING AND TERRORISM FINANCING RISKS RELATED TO FINANCIAL INCLUSION PRODUCTS

I. Introduction

The role of financial inclusion in socio-economic development is increasingly recognized, particularly in its ability to foster economic growth by enhancing access to and utilization of financial products and services. This, in turn, creates opportunities for job creation, income generation, mobilization, and effective utilization of social resources, thereby promoting sustainable growth and development.

In recent times, Vietnam has experienced significant economic recovery and development, alongside rapid advancements in financial services, which have considerably improved the level of financial inclusion in the country. Consequently, Vietnam has established and implemented various legal frameworks and policies to create a conducive environment for achieving financial inclusion objectives. This has been facilitated through the development of a diverse range of financial service providers, distribution channels, and financial products and services aimed at the public and businesses. However, challenges persist in accessing and utilizing financial products and services, particularly among rural populations, remote areas, low-income individuals, vulnerable groups, small and medium-sized enterprises (SMEs), and micro-enterprises.

The development of financial inclusion products and services, especially digital financial products, inevitably brings associated risks, such as data security breaches, cybercrime, money laundering, terrorism financing, and the misuse of these products and services for illegal activities. The objective of this Report is to review existing mechanisms and policies related to financial inclusion products, the management, inspection, and supervision of these products, and to assess the risks of money laundering and terrorism financing associated with financial inclusion products. Based on this review, the report aims to propose appropriate and necessary management policies and mechanisms that will both support the development of financial inclusion products and mitigate the risks of money laundering and terrorism financing, with particular emphasis on digital financial products.

Key financial inclusion products include *payment and remittance services, micro-savings, micro-credit, and micro-insurance*. These products are primarily targeted at underserved or marginalized groups, such as those living in rural, remote areas, low-income individuals, women, other vulnerable groups, SMEs, micro-enterprises, cooperatives, and small business households. Consequently, financial inclusion products typically involve low transaction volumes and values.

This report is developed based on a review of the relevant legal frameworks, mechanisms, and policies, an assessment of the specific characteristics of each financial product, management and supervision processes, the resources available for

implementation, and the practical risks encountered in the use of these financial products. The summary of the assessment of money laundering and terrorism financing risks in relation to financial inclusion products is presented in the following table:

Financial products	Risk level	
	Money laundering risk	Terrorism financing risk
1. E-wallet	Medium Low	Low
2. Agent-based Payment/Remittance	Low	Low
3. Anonymous Prepaid Card	Medium Low	Low
4. Payment Account	Low	Low
5. Mobile Money	Low	Low
6. Microcredit	Low	Low
7. Micro savings	Low	Low
8. Microinsurance	Low	Low

II. Legal Framework, Mechanisms and Policies

- Law on Credit Institutions: The National Assembly enacted the Law on Credit Institutions on June 16, 2010 (as amended and supplemented), and the State Bank of Vietnam (SBV) is currently studying further amendments and supplements to this law for submission to the National Assembly. This legislation is pivotal, establishing a legal foundation for credit institutions in governance, operations, development, and risk management of banking products and services.

- The Prime Minister issued Decision No. 2195/QD-TTg dated December 6, 2011 approving the scheme for the development of the microfinance system in Vietnam until 2020; Decision No. 20/2017/QD-TTg dated June 12, 2017 Regulating the operations of microfinance programs and projects by political organizations, socio-political organizations, and NGOs.

- The Government issued Decree No. 101/2012/ND-CP dated November 22, 2012 on cashless payments (CLP) ¹⁸⁴. The Decree regulates non-commercial payment activities including: opening and use of payment accounts (PA); CLP

¹⁸⁴ Amended and supplemented by Decree No. 80/2016/ND-CP dated July 1, 2016; Decree No. 16/2019/ND-CP dated February 1, 2019.
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services; payment intermediary services - IS (including e-Wallets); and the organization, management, and supervision of payment systems.

- The Prime Minister issued Decision No. 149/QĐ-TTg dated January 20, 2020 approving the National Financial Inclusion Strategy to 2025, with a vision to 2030. The overarching goal is for all citizens and businesses to have safe, convenient access to financial products and services that meet their needs at a reasonable cost, provided by licensed entities responsibly and sustainably.

- The Prime Minister issued Decision No. 1813/QĐ-TTg dated October 28, 2021 approving the Project for developing cashless payments in Vietnam for the period 2021-2025. It aims to accelerate the growth of cashless payments in the economy, foster the habit of cashless transactions in urban areas, and gradually extend it to rural and remote areas. It also emphasizes the application of technological advancements from Industry 4.0 to upgrade payment infrastructure, ensuring convenient, efficient payment services for individuals and organizations while safeguarding security and confidentiality in cashless payment (CLP) activities. Service providers are developing distribution channels, enhancing the supply of new financial products and services, particularly digital financial products and services, promoting cashless payments (CLP), and implementing breakthrough solutions to rapidly expand the customer base, improving access to and usage of financial products and services for all citizens and businesses, especially those in rural, remote areas, border regions, and islands.

- The Prime Minister issued Decision No. 316/QĐ-TTg dated March 9, 2021 on approving the pilot implementation of using telecommunications accounts to pay for low-value goods and services (Mobile Money). This decision aims to promote cashless payments and better meet the growing needs of the population, particularly in rural and remote areas where traditional banking services are less accessible.

- The Governor of the State Bank issued Circular No. 23/2014/TT-NHNN dated August 19, 2014 (amended and supplemented)¹⁸⁵ guiding the opening and use of payment accounts (PA) at payment service providers, instructions on electronic account opening without direct customer interaction.

- The Governor of the State Bank issued Circular No. 39/2014/TT-NHNN dated December 11, 2014 providing detailed regulations on intermediary payment services (amended and supplemented)¹⁸⁶, (including e-wallets).

¹⁸⁵ Amended and supplemented in Circular No. 02/2019/TT-NHNN dated February 28, 2019; Circular No. 16/2020/TT-NHNN dated December 4, 2020.

¹⁸⁶ Amended and supplemented by Circular No. 20/2016/TT-NHNN dated June 30, 2016; Circular No. 30/2016/TT-NHNN dated October 14, 2016; Circular No. 23/2019/TT-NHNN dated November 22, 2019.

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- The Governor of the State Bank issued Circular No. 19/2016/TT-NHNN dated June 30, 2016 (amended and supplemented) ¹⁸⁷, governing the issuance and use of bank cards (including anonymous prepaid cards), and providing guidance on electronic card issuance without direct customer interaction.

- Regarding AML and Counter-Terrorism Financing (CTF) Legislation activities, the corresponding legal regulations will govern the operation of each type of product based on its specific characteristics.

The current obligations regarding AML are stipulated in the AML Law (the National Assembly passed AML Law No. 14/2022/QH15, effective from March 1, 2023, replacing AML Law No. 07/2012/QH13); Decree No. 116/2013/NĐ-CP dated October 4, 2013, issued by the Government, detailing the implementation of certain provisions of the AML Law; Decree No. 87/2019/NĐ-CP dated November 14, 2019, issued by the Government, amending and supplementing certain provisions of Decree No. 116/2013/NĐ-CP; Decision No. 20/2013/QĐ-TTg dated April 18, 2013, issued by the Prime Minister, stipulating the threshold for large-value transactions that must be reported; Circular No. 35/2013/TT-NHNN dated December 31, 2013, issued by the Governor of the State Bank of Vietnam, guiding the implementation of certain provisions of the AML Law; Circular No. 31/2014/TT-NHNN dated November 11, 2014, issued by the Governor of the State Bank of Vietnam, amending and supplementing certain provisions of Circular No. 35/2013/TT-NHNN; and Circular No. 20/2019/TT-NHNN dated November 14, 2019, issued by the Governor of the State Bank of Vietnam, amending and supplementing certain Accordingly, relevant regulations require reporting entities to implement AML measures, including customer identification with sufficient information, customer risk classification, appropriate measures for foreign politically exposed persons (PEPs), correspondent banking relationships, transactions involving new technologies, special monitoring of certain transactions, ensuring compliance in business referral activities, internal AML regulations, reporting large transactions, suspicious transaction reports (STRs), reporting electronic fund transfers, and maintaining records and reports. Additionally, reporting entities are obligated to provide information, ensure the confidentiality of reports, and apply measures to delay transactions, freeze accounts, and seize or temporarily hold assets in accordance with regulations.

III. Financial Inclusion Products

1. Payment and Money Transfer Products

1.1. E-wallet Services

- Money Laundering Risk Assessment: **Medium-Low**

¹⁸⁷ Amended and supplemented in Circular No. 30/2016/TT-NHNN dated October 14, 2016; Circular No. 26/2017/TT-NHNN dated December 29, 2017; Circular No. 41/2018/TT-NHNN dated December 28, 2018; Circular No. 28/2019/TT-NHNN dated December 25, 2019; Circular No. 17/2021/TT-NHNN dated November 16, 2021.
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- Terrorist Financing Risk Assessment: **Low**

An E-Wallet is defined as a service that provides customers with an electronic, identifiable account created by service providers on data carriers (such as electronic chips, mobile SIM cards, computers, etc.), allowing the storage of monetary value backed by an equivalent deposit amount transferred from the customer's payment account at a bank into the service provider's payment guarantee account on a 1:1 ratio (Clause 8, Article 4 of Decree No. 101/2012/NĐ-CP). The E-Wallet service was initially piloted by non-bank institutions in 2008 and officially regulated from 2015 under the supervision of the State Bank of Vietnam (SBV). By the end of December 2022, 48 non-bank institutions in Vietnam had been licensed by the SBV to provide payment services, including 45 authorized to offer E-Wallet services. Approximately 33.16 million E-Wallets were active, representing 66.26% of the over 50.04 million E-Wallets that had been activated. E-Wallets are primarily issued to customers for transactions through e-commerce channels, utility bill payments, and certain public services within Vietnam. E-Wallets are also identified as one of the services that can effectively support the development of financial inclusion in the coming period.

The provision of payment services, including E-Wallet services, is a conditional regulated business that must comply with specific conditions (technical, personnel, expertise, etc.) as stipulated by law, and service providers must obtain an operating license from the SBV to offer these services.

The current provision of E-Wallet services is governed by Decree No. 101/2012/NĐ-CP (as amended and supplemented), Circular No. 39/2014/TT-NHNN (as amended and supplemented), and other related legal documents. The SBV has issued specific regulations on the opening and usage of E-Wallet services, including: (i) Regulations on Customer identification requirements for opening an E-Wallet; (ii) Regulations on Transaction limits for E-Wallet services; (iii) Regulations on Non-face-to-face registration for opening an E-Wallet; and (iv) Link the E-Wallet to the customer's payment account or debit card at a linked bank before the customer uses the E-Wallet. Deposits into and withdrawals from the E-Wallet are carried out through a bank account and are monitored, tracked, and reported in accordance with laws on AML and Counter-Terrorist Financing (CTF) through the banking system.

In addition to the specific regulations for E-Wallet issuance, E-Wallet providers must also adhere to the SBV's general regulations for payment services, such as developing and implementing internal regulations and complying with the SBV's risk management principles for electronic banking activities and other relevant laws in Vietnam. They must ensure the safety and security of information technology systems in banking operations and safeguard customer information in electronic banking services as required by the SBV. Payment service providers are also required to comply with AML regulations, subject to monitoring, inspection, and audit regarding AML compliance.

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On November 15, 2022, the National Assembly passed the Anti-Money Laundering Law (Law No. 14/2022/QH15), effective from March 1, 2023, which designates payment service providers as reporting entities responsible for complying with AML obligations.

Despite the strict legal framework, compliance among E-Wallet providers remains relatively low. Inspections of payment service providers have revealed the following issues:

- Some providers have not strictly adhered to requirements for recognizing, verifying, classifying, monitoring, and inspecting merchants to implement appropriate risk management measures based on the merchant's business type and sector. This includes promptly detecting unusual transactions, ensuring alignment with the business type, and taking timely action to prevent legal violations.

- Some providers have not strictly complied with regulations on the opening and use of E-Wallets, particularly regarding customer identification and the requirement to link payment accounts when registering for services. In addition, the process of depositing into and withdrawing from E-Wallets through customer bank accounts has not been rigorously followed.

- Some providers have not fully established internal procedures, regulations, and guidelines to ensure customer information safety and security, as well as compliance with the SBV's risk management principles for electronic banking activities.

Faced with that situation, the SBV has issued multiple directives to strengthen security and ensure that E-Wallet services are used for their intended purposes. The SBV has also called for stricter scrutiny of suspicious transactions and enhanced efforts to detect and prevent legal violations. In addition, the SBV has intensified monitoring, inspection, and enforcement actions related to these services.

According to the National Risk Assessment (NRA) Report for 2012-2017, the money laundering risk associated with E-Wallets was assessed as Medium, while the terrorist financing risk was assessed as Low. Recently, the State Bank of Vietnam (SBV) has researched and completed various regulations related to e-wallets, such as specific guidelines on e-wallet identification, transaction limits, and the designation of payment service providers as reporting entities under the AML Law. The SBV has also intensified inspections, audits, and supervision, which has helped mitigate risks associated with e-wallet services. As a result, the current money laundering risk for e-wallet products in Vietnam is assessed as Medium-Low. These products are only available to residents within Vietnam and are not applicable for cross-border payments or money transfers. To date, there have been no reported or identified cases of e-wallets being used for terrorist financing purposes, and the risk of such activities is therefore assessed as Low.

1.2. Payment/ Remittance Services via Agents

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- Money Laundering Risk Assessment: **Low**
- Terrorist Financing Risk Assessment: **Low**

Under Decision No. 1813/QĐ-TTg dated October 28, 2021, the Prime Minister approved the Scheme on Developing Cashless Payments (CLP) in Vietnam for the period 2021-2025, which includes the initiative to "Research and gradually implement payment agent activities; allowing non-bank institutions to deploy payment agent operations in rural, remote, isolated, border, and island areas as per regulations.

Since 2014, the State Bank of Vietnam (SBV) has permitted certain banks to pilot payment/remittance services in rural areas: (i) Joint Stock Commercial Bank for Foreign Trade of Vietnam - Vietcombank (VCB) has collaborated with Mobile Service Joint Stock Company (M_Service) to offer small-value remittance services via the MoMo e-wallet platform; (ii) Military Commercial Joint Stock Bank (MB) has partnered with Viettel Group (Viettel) to provide remittance services through telecommunications agents; (iii) Prosperity and Growth Commercial Joint Stock Bank (PG Bank) has cooperated with Vietnam National Petroleum Group (Petrolimex) to implement several quick remittance services.

These payment/remittance services are still in the pilot phase, closely monitored and supervised by the SBV to ensure service quality and build customer trust. The SBV has set limits of VND 200 million/day for cash collection and disbursement at agents and VND 20 million/day for deposit and withdrawal transactions per customer. Customer identification when registering for the service and customer authentication during transactions are transparent and clear, carried out by agents through the presentation of ID cards and verification codes sent to the customer's registered phone number.

After a period of pilot implementation, in general, the service models have achieved positive results, helping to reduce informal remittance networks in society, enabling the state to better control payment activities in the economy, and promoting CLP and financial inclusion in rural and remote areas.

During the pilot phase, the SBV has not received any reports of fraud or suspicious transactions related to money laundering or terrorist financing in connection with these products. However, the limitation of these models is that they are currently being implemented under a pilot framework without specific legal corridors (e.g., the procedures involved, scope of agent delegation, types of agents, and the rights and responsibilities of the parties involved). The SBV is currently researching and drafting regulations within the revised Law on Credit Institutions or related legal documents to guide the delegation of agency operations by credit institutions and foreign bank branches in relation to the provision of banking services through agents. According to the National Risk Assessment (NRA) report for 2012-

2017, agent-based payment/remittance products were assessed to have a Low risk of money laundering and terrorist financing, and this assessment remains unchanged.

1.3. Anonymous Prepaid Card

- Money Laundering Risk Assessment: **Medium-Low**
- Terrorist Financing Risk Assessment: **Low**

Anonymous prepaid cards are cards that allow the cardholder to conduct transactions within the value preloaded onto the card, corresponding to the amount prepaid to the card issuer, without any identifying information of the cardholder. Prepaid cards, in general, differ from debit and credit cards in that the cardholder does not need a bank account. Anonymous prepaid cards are mainly issued by institutions for small retail transactions, providing convenience for individuals without bank accounts, thereby promoting financial inclusion.

Currently, card operations are regulated under Circular No. 19/2016/TT-NHNN (as amended and supplemented), which, in addition to general provisions for all card products, includes specific regulations to mitigate money laundering and terrorist financing risks for anonymous prepaid cards, such as: (i) The card issuer must establish and publicly disclose the terms and conditions for issuing and using anonymous prepaid cards. A written agreement with the requesting party for anonymous prepaid card issuance is required, including, at a minimum: information about the requesting party, the number of cards issued, card limits, reload conditions, card usage scope, and card validity period; (ii) The card issuer must set specific limits on the card balance and reload amounts, ensuring that the balance on an anonymous prepaid card does not exceed VND 5 (five) million at any time; (iii) Anonymous prepaid cards are only allowed for payment of legitimate goods and services at point-of-sale (POS) terminals within Vietnam and cannot be used for online transactions, mobile app payments, or cash withdrawals.

Due to the nature of anonymous prepaid cards, where the user's identity is not verified, there are inherent risks such as:

(i) When issuing anonymous prepaid cards, the issuer may have difficulty managing the individuals/organizations directly using the cards, especially when cards are issued in large quantities;

(ii) Similar to other card types, if merchants do not comply with legal regulations, anonymous prepaid cards could be exploited for illegal transactions, making it impossible to identify the user like other means of identification;

(iii) Although the maximum balance on an anonymous prepaid card is relatively low (with a maximum balance of VND 5 million at any time), individuals could exploit the ability to reload multiple times or use multiple cards to accumulate larger sums for illegal purposes.

To address potential risks, the SBV has implemented various measures to enhance the security of payment service operations and minimize the misuse of anonymous prepaid cards for illegal activities. This includes issuing warnings and reminders to card issuers, requiring them to: (i) Set clear and stringent limits on the number of cards issued; (ii) Establish transaction, balance, and reload limits for anonymous prepaid cards; (iii) Implement AML measures and verify the purpose of individuals or organizations requesting large quantities of anonymous prepaid cards; and (iv) Monitor and track anonymous prepaid cards with high or unusual transaction frequency/volume.

According to the NRA report for 2012-2017, anonymous prepaid cards were assessed as having a Medium risk for money laundering and a Low risk for terrorist financing. However, with the stricter regulations now in place, including those under Circular No. 17/2021/TT-NHNN issued on November 16, 2021 amending and supplementing a number of articles of Circular No. 19/2016/TT-NHNN, which limits the use of anonymous prepaid cards to payments for goods and services at POS terminals within Vietnam (excluding online transactions, mobile app payments, and cash withdrawals), the risks have been reduced. In addition, limiting the issuance of anonymous prepaid cards to banks only further reduces the potential for misuse in money laundering and terrorist financing activities. To date, no cases of using anonymous prepaid cards for money laundering or terrorist financing have been identified or reported. Consequently, the current money laundering risk for anonymous prepaid cards in Vietnam is assessed as Medium-Low, while the terrorist financing risk remains Low.

1.4. Payment Account

- Money Laundering Risk Assessment: **Low**
- Terrorist Financing Risk Assessment: **Low**

The comprehensive financial inclusion strategy identifies the ownership of a payment account (PA) as the initial step toward accessing a variety of financial products and services, including savings, credit, insurance, and investments. As such, PAs play a crucial role in expanding financial services to target groups under the financial inclusion agenda. By the end of December 2022, Vietnam had approximately 150.2 million individual accounts. To further promote financial inclusion, Decision 149/QĐ-TTg and Decision 1813/QĐ-TTg have set a target that by 2025, at least 80% of individuals aged 15 and above will have a transaction account at a bank or other authorized institution.

Regarding regulatory mechanisms, a comprehensive legal framework currently exists for the opening and use of PAs, as stipulated in Decree 101/2012/ND-CP (as amended and supplemented) and Circular 23/2014/TT-NHNN (as amended and supplemented), ensuring compliance with AML and counter-terrorist financing (CTF) regulations: (i) The legal framework includes provisions

for customer identification and verification when opening a PA: individuals must provide complete and accurate personal information such as full name, date of birth, nationality, occupation, position, phone number, identification number (ID card or passport with validity), issuance date, place of issuance, address of permanent residence, current address, residency status, visa information (for foreigners), and details regarding overseas residence for foreigners. Organizations must provide detailed information about their registered name, headquarters address, business address, phone number, fax number, business sector, legal representative details, accounting officer information, and beneficial ownership information. Beneficial ownership information must be collected and verified with the same rigor as customer identification; (ii) the regulations also include prohibitions on certain behaviors regarding the opening and use of PAs, obligations for banks and account holders to comply with AML and CTF regulations, (iii) and the review and supplementation of procedures for the opening and use of PAs. Currently, the State Bank of Vietnam (SBV) is continuing to review and update the regulations in a draft decree to replace Decree 101/2012/ND-CP, as well as in a circular to replace Circular 23/2014/TT-NHNN. These updates aim to align closely with new provisions in the AML Law of 2022, thereby tightening management regulations for PAs and fraud risk prevention. In addition, in accordance with AML laws, financial institutions (FIs) are required to establish internal AML regulations, including procedures for review, detection, and reporting of suspicious transactions (STRs) and the provision of information to the SBV and other competent authorities.

Moreover, on November 14, 2019, the Government issued Decree No. 87/2019/ND-CP, amending Decree No. 116/2013/ND-CP, which provides details on certain provisions of the AML Law, allowing banks to decide whether or not to meet customers face-to-face when establishing a relationship for the first time. Following this, the SBV issued Circular No. 16/2020/TT-NHNN, amending Circular No. 23/2014/TT-NHNN, to provide guidelines for opening PAs through electronic means (eKYC). The provisions of Circular 16/2020/TT-NHNN have been reviewed to ensure compliance with AML and CTF regulations, requiring banks and foreign bank branches to establish and publicize appropriate processes and procedures for opening PAs electronically, ensuring compliance with AML laws, e-transaction laws, and other related legal provisions on customer information security and bank operational safety. To mitigate risks, Circular 16/2020/TT-NHNN also imposes a transaction limit (debit) of no more than VND 100 million per month per customer.

In practice, banks have adhered closely to the AML Law, Decree 101/2012/ND-CP, Circular 23/2014/TT-NHNN, and the SBV's directives to enhance technological measures for risk management, post-transaction screening, and prompt detection and handling of fraudulent or abnormal activities in PA opening and usage. All banks have complied with the regulation of a maximum debit limit of VND 100 million per month per customer for electronically opened PAs. As of December 2022, 27 banks reported having officially implemented more than 8.7

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million PAs opened electronically. To minimize the risk of PAs being used for illegal activities, the SBV regularly issues warnings and directives to the entire banking sector to strengthen the prevention, detection, and reporting of fraudulent activities in PA usage, as well as to promptly cooperate with law enforcement in investigations. To further enhance customer information accuracy, the SBV has actively collaborated with Ministry of Public Security in providing information to serve the investigation. Currently, implementing Decision 06/QD-TTg¹⁸⁸, the SBV has actively collaborated with the Ministry of Public Security to study and develop a plan allowing the banking sector to connect with the national population database, the citizen ID database, and chip-embedded citizen ID cards.

Thus, the current ML/TF risk associated with PAs in Vietnam is assessed as Low (consistent with the 2012-2017 National Risk Assessment report). This assessment is based on the SBV's stringent regulations on customer identification and verification when opening PAs, the implementation of monitoring tools for suspicious transactions, and the transaction limits imposed on electronically opened PAs.

1.5. Mobile-Money Service for Payments of Small-Value Goods and Services (Mobile-Money)

- Money Laundering Risk Assessment: **Low**
- Terrorist Financing Risk Assessment: **Low**

On March 9, 2021, the Prime Minister signed Decision No. 316/QD-TTg, approving the pilot implementation of the Mobile Money service, which allows the use of telecom accounts to pay for small-value goods and services. The decision includes stringent regulations to ensure compliance with AML and CTF laws. Specifically, (i) regarding customer identification and verification, the pilot enterprises can decide whether to meet customers face-to-face or not during the initial registration for the Mobile Money service. In cases where there is no face-to-face meeting, the pilot enterprises must develop and implement electronic procedures that comply with AML laws and ensure the application of appropriate measures, technologies, and methods for customer identification and verification; (ii) a transaction limit of no more than VND 10 million per month per Mobile-Money account is applied to the total of withdrawals, transfers, and payments; (iii) pilot enterprises must establish internal AML and CTF regulations in accordance with current laws, including mechanisms for coordination and information sharing with competent state authorities (the Ministry of Public Security, SBV, and the Ministry of Information and Communications) concerning Mobile-Money accounts with suspected illegal activities or violations of the law; (iii) The enterprise conducting the pilot must establish general principles and internal regulations regarding AML

¹⁸⁸ Decision 06/QD-TTg dated January 6, 2022 approving the project to develop application of population data, identification and electronic authentication to serve national digital transformation in the period 2022 - 2025, with a vision to 2030 .

and counter-terrorism financing in accordance with current laws. Additionally, they must set up a mechanism for coordinating and providing information to competent state regulatory authorities (such as the Ministry of Public Security, the State Bank of Vietnam, and the Ministry of Information and Communications) regarding Mobile-Money accounts that show signs of criminal activity, legal violations, or suspicious and unusual transactions (The information provided should include all stored data related to the Mobile-Money accounts). Furthermore, they must establish a mechanism to temporarily lock or freeze Mobile-Money accounts that violate regulations as soon as signs of legal violations are detected; (iv) Pilot enterprises must establish mechanisms for controlling cash transactions (deposits and withdrawals from Mobile Money accounts) and reconciling customer account balances; (v) and other regulations for merchants to prevent the use of Mobile-Money services for the payment of illegal goods and services; (vi) Pilot enterprises must develop tools that allow SBV, the Ministry of Information and Communications, and the Ministry of Public Security to access the system for real-time information, data, and transaction monitoring.

In November 2021, the SBV issued approved the pilot implementation of Mobile-Money services for three telecom enterprises: MobiFone Telecommunications Corporation - MobiFone, Media Corporation - VNPT-Media, and Military Telecommunication Industry Group - Viettel. By the end of December 2022, more than 2.83 million Mobile-Money accounts were opened by these pilot enterprises, with nearly 2 million of these accounts (over 70.6%) being registered and used in rural, mountainous, remote, border, and island areas; a total of more than 8,800 business points have been established; the total number of payment acceptance points set up is over 15,000, including those providing essential services such as electricity, water, education, and retail. The number of transactions conducted through Mobile-Money accounts has exceeded 19 million, with a total value of over 1,267 billion VND.

Despite stringent regulations, the Mobile-Money service poses certain risks related to AML and CTF, especially if pilot enterprises or their business points fail to strictly follow procedures, lack the capacity to properly identify and verify customers, leading to fraudulent transactions or the use of Mobile-Money for illegal purposes; or if they are lack of capacity to detect signs of money laundering, suspicious transactions, or cash-related risks.

The implementation of Mobile Money services by pilot enterprises is closely monitored by the SBV, the Ministry of Information and Communications, and the Ministry of Public Security. During the pilot phase, the SBV has not received any reports of fraud or suspicious transactions related to money laundering or terrorist financing within this service. However, the limitation of these models lies in their pilot status. As a new service, implemented nationwide on a technological platform,

with a large user base, it demands high security, safety, and confidentiality, potentially harboring unforeseen risks.

Furthermore, this product, which can only be used for legitimate domestic transactions under Vietnamese law, is not allowed for cross-border payments or transfers. Thus, the risk of such transactions occurring with high-risk countries is minimal. To date, no cases of Mobile-Money being used for ML/TF purposes have been identified. Therefore, the ML/TF risk associated with the Mobil-Money service in Vietnam is currently assessed as Low.

2. Microfinance products

According to Article 4 of the Law on Credit Institutions 2010: “A microfinance institution is a type of credit institution that primarily conducts certain banking activities to meet the needs of low-income individuals, households, and microenterprises.” According to Clause 1, Article 3 of Decision 20/2017/QĐ-TTg, which regulates the activities of microfinance programs and projects of political, social-political, and non-governmental organizations, “Microfinance activities include lending in Vietnamese Dong to microfinance customers, accepting compulsory savings deposits from microfinance customers, and accepting voluntary savings deposits.” Previously, microfinance was defined in Clause 2, Article 2 of Decree 28/2005/NĐ-CP as “small-scale finance,” which refers to “the provision of simple, small-scale financial and banking services to low-income households and individuals, especially poor households and the poor.” The Prime Minister issued Decision No. 2195/QĐ-TTg on December 6, 2011, approving the project for building and developing the microfinance system in Vietnam until 2020, and issued Decision No. 20/2017/QĐ-TTg on June 12, 2017, regulating the activities of microfinance programs and projects of political organizations, socio-political organizations, and non-governmental organizations.

In Vietnam, microfinance service providers primarily include the Vietnam Bank for Social Policies, the Cooperative Bank, the Vietnam Bank for Agriculture and Rural Development, four microfinance institutions (MFIs), and various microfinance programs and projects. Research data from the Vietnam Microfinance Working Group (VMFWG) indicates that microfinance activities in Vietnam have specific characteristics: the overall loan portfolio is small (66.7% of loans are under VND 5 billion); the majority of lending is conducted through group lending methods (over 70%); operations are mainly concentrated in rural areas; a significant portion of institutions have been operating for a long time (76.7% have been in operation for more than 05 years), mainly providing loan and savings services.

2.1. Microcredit Service

- Money Laundering Risk Assessment: **Low**
- Terrorist Financing Risk Assessment: **Low**

Microfinance (MF) involves providing small loans to the poor, low-income, middle-income individuals, and microenterprises, particularly to those in difficult circumstances in rural, remote areas where formal financial institutions have not yet reached. The lending method is simple, requiring no collateral, with unsecured loans offered through group guarantees. Initial loans are small but gradually increase, with regular repayments (weekly, monthly, quarterly) depending on the borrower's capacity to use and repay the loan.

Low-income customers often do not meet the traditional security requirements, thus requiring group lending – secured by the group or other forms of unsecured loans. Lending methods include: Mutual Group Lending: Involves forming groups of individuals with similar financial aspirations. Indirect Mutual Group Lending through an Intermediary: This product retains the strengths of group lending but uses an intermediary organization to form and manage the group, as well as take overall responsibility for the group's activities. Typically, socio-political organizations such as farmer associations, women's unions, etc., act as intermediaries. They handle some stages in the lending process, such as debt collection and disbursement.

In addition to using joint liability groups as collateral for loans, some microfinance institutions (MFIs) employ alternative methods to replace traditional collateral. These include loans backed by a third-party guarantor, who may be a family member of the borrower and who is financially capable and committed to repaying the debt if the borrower defaults. Alternatively, loans may be granted based on personal creditworthiness for clients with a strong, longstanding credit history and proven repayment ability. Alongside guarantee-based or creditworthiness-based lending, some MFIs also utilize traditional collateral methods. The two most common forms of collateral are asset-based and mandatory savings-based. For mandatory savings-based collateral, clients must maintain a minimum balance, typically calculated as a percentage of the loan amount, which cannot be withdrawn until the loan is fully repaid. Collateralized lending is typically applied in individual loans by MFIs. However, some MFIs require group members to contribute to mandatory savings, which cannot be withdrawn until the loan is repaid or the member leaves the group. This mandatory savings acts as collateral, helping MFIs mitigate the risk of capital loss.

Loan conditions, procedures, and approval process: Generally, MFIs strive to establish favorable and straightforward loan conditions and procedures to facilitate easy access to credit services and reduce costs for clients. A key consideration in loan conditions is determining who is eligible to borrow. Depending on the MFI, the following criteria may or may not be included in loan conditions: legal and civil capacity, permanent residence and regular presence in the local area, ability to use the loan effectively and repay it, no overdue or bad debt with other credit institutions,

legal purpose for loan usage, or exclusive use for income-generating business activities, and a feasible and effective loan utilization plan.

Simplifying loan procedures and approval processes is a critical principle for MFIs. Minimizing administrative paperwork and streamlining the approval process allows clients to access loans quickly and reduces their borrowing costs. As most loans are based on group guarantees and creditworthiness, loan applications do not require collateral-related documents or proof of income. For many MFIs, a loan application form accompanied by the guarantee signatures of group members suffices.

Currently, there are stringent regulations to meet loan conditions and procedures, particularly for low loan amounts, often targeting poor households and small businesses. In addition, banks and credit service providers must fully comply with AML regulations, including customer identification, information updates, and Suspicious Transaction Reports (STRs) during client onboarding. There are no provisions allowing these institutions to simplify customer identification or information updates. To date, no STRs, fraud reports, or crime-related issues have been recorded in connection with loans under these microcredit programs. Therefore, the risk of AML/CTF (Anti-Money Laundering/Counter-Terrorist Financing) arising from microcredit products is assessed as Low.

2.2. Micro-Savings Service

- Money Laundering Risk Assessment: **Low**
- Terrorist Financing Risk Assessment: **Low**

According to Circular No. 03/2018/TT-NHNN dated February 23, 2018, issued by the State Bank of Vietnam regarding the licensing, organization, and operation of microfinance institutions (MFIs), micro-savings products include mandatory savings and voluntary deposits. Specifically: Mandatory savings refer to the amount that clients are required to deposit according to the MFI's regulations; voluntary deposits include demand deposits, term deposits, and savings deposits (excluding mandatory savings), but exclude deposits intended for payments by clients, other organizations, or individuals at the MFI. For procedures related to receiving and disbursing savings deposits through electronic means: Financial institutions must guide the procedures for receiving and disbursing savings deposits electronically via the sender's transaction account at the institution, in compliance with this Circular, electronic transaction regulations, AML regulations, and other relevant laws, ensuring accurate and secure deposit handling for clients and operational safety for the credit institution.

Circular No. 48/2018/TT-NHNN dated December 31, 2018 of the State Bank of Vietnam stipulates procedures for receiving and paying savings deposits and regulations on savings deposits, as follows:

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“1. Financial institutions request depositors to complete the following procedures: a) Present the Savings Book; b) Present identification documents of the depositor and all co-depositors (for joint savings deposits); c) Submit a withdrawal request form signed in accordance with the signature sample registered with the financial institution.

2. The financial institution will verify the depositor's information, the legal representative's information if the withdrawal is done through the legal representative, the information on the Savings Book, and the signature on the withdrawal request to ensure accuracy with the records held by the institution.

3. Upon completion of the procedures specified in items 1 and 2, the financial institution will disburse the principal and interest of the savings deposit to the depositor”.

Thus, the current legal framework provides general regulations for savings deposits at financial institutions, but lacks specific detailed regulations for micro-savings offered by MFIs. Micro-savings, besides voluntary deposits with no specified minimum balance or term, also include mandatory savings for MFI members to ensure operational safety. Although the mandated amounts are minimal, they are a unique feature necessary for these institutions. Additional specific regulations would ensure more consistent and stringent management, thereby reducing potential money laundering and terrorist financing risks associated with these products.

With the operational network of 04 MFIs, the number of clients and total value of savings products have been as follows:

- 2018: 507,731 clients, total value of VND 1,521 billion;
- 2019: 524,502 clients, total value of VND 1,929 billion;
- 2020: 534,034 clients, total value of VND 2,126 billion;
- 2021: 504,875 clients, total value of VND 2,181 billion;
- Q1/2022: 527,956 clients, total value of VND 2,199 billion.

Besides, Vietnam has 04 banks (Agricultural and Rural Development Bank, Vietnam Bank for Social Policies, Lien Viet Post Bank, Cooperative Bank) providing savings products with a network extending from cities to rural and remote areas. The number of clients and total value of savings products are as follows:

- 2018: 29,216,939 clients, total value of VND 950,025 billion;
- 2019: 31,563,874 clients, total value of VND 1,086,950 billion;
- 2020: 28,701,813 clients, total value of VND 1,197,843 billion;
- 2021: 26,574,938 clients, total value of VND 1,284,940 billion;
- Q1/2022: 29,900,876 clients, total value of VND 1,314,655 billion.

Survey results from the 04 banks and 04 MFIs providing savings services show compliance with the State Bank of Vietnam's regulations on savings deposit transactions and AML laws regarding customer identification, information updates, and Suspicious Transaction Reports (STRs)... when providing products and services:

- + Financial institutions and MFIs have transaction limits for micro-savings products, indicating that transaction values are kept within permissible thresholds, allowing for effective control and minimal threat of AML/CTF. Due to the nature of micro-savings products being relatively small-scale, the total transaction value of micro-savings products represents a relatively minor proportion compared to the overall transaction value of general savings deposits.

- + Micro-savings products are not allowed to be anonymous.

- + Most financial institutions and MFIs meet clients face-to-face for micro-savings transactions. Only 01 institution does not conduct face-to-face meetings but only processes transactions for clients previously identified through MFI loan application processes, overseen by political-social organizations, village heads, and local government authorities. Thus, although there was no face-to-face meeting, the customer had already been identified prior to the loan being granted.

- + Financial institutions and MFIs do not offer micro-savings products to non-resident clients.

- + Financial institutions and microfinance organizations do not permit and have no cross-border transactions for micro-savings products.

- + Research conducted from 2018 to Q2 2022 indicates that financial institutions and microfinance organizations offering micro-savings products have not recorded or received any Suspicious Transaction Reports (STRs), reports of fraud, or criminal activity related to money laundering/terrorist financing (ML/TF) in connection with micro-savings products.

Thus, the State Bank of Vietnam (SBV) has established stringent regulations and requirements for individuals engaging in transactions related to savings deposits, including age requirements, civil capacity regulations, and procedures to be followed when making a savings deposit. Furthermore, the nature of micro-savings products involves attracting deposits from individuals and organizations with low income, with no cross-border transactions or foreign exchange elements. The volume of micro-savings transactions is also negligible compared to other transaction types available in the market. Therefore, based on the above legal and practical grounds, it can be assessed that the risk level of ML/TF associated with micro-savings products is considered Low.

2.3. Microinsurance Products

- Money Laundering Risk Assessment: **Low**

- Terrorist Financing Risk Assessment: **Low**

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Microinsurance refers to insurance products designed and offered to the poor, low-income individuals, and vulnerable groups in society. These products feature low premiums (averaging from VND 100,000 to VND 300,000 per year), small insurance amounts, simple and easy-to-understand coverage, and minimal exclusions. Buyers are not required to undergo health assessments, leading to a streamlined insurance contract issuance process. Claims are processed quickly, with a maximum resolution time of 15 days, which is shorter compared to the 30-day period for conventional insurance products.

Currently, microinsurance in Vietnam is primarily implemented through mutual fund models and is closely linked with microfinance institutions (MFIs). Notable examples of successful initiatives in this trend include TYM (Tinh Thuong Microfinance Organization) and M7 (M7 Microfinance Organization). In addition, various partnerships between insurance companies and social organizations have yielded positive results in deploying microinsurance, such as: (i) Manulife and the Vietnam Women's Union; (ii) Bao Viet with TYM, M7, Ninh Phuoc Women's Support Fund, Hai Phong Women's Association, Thai Binh Women's Association, and Quang Binh Women's Association; (iii) Dai-ichi with the Vietnam Farmers' Union; (iv) ABIC (Agribank Insurance Company) has initially rolled out credit insurance products to households, including those with low income borrowing from Agribank; (v) Other insurance companies like Groupama, PetroVietnam Insurance Corporation, Vietnam Post Insurance Corporation, Aviation Insurance Corporation, Prudential, and others such as AAA, Prevoir, Bao Minh, Vien Dong, PJICO, and BIC have also started offering microinsurance products. Thus, microinsurance in Vietnam is provided by: commercial insurance companies; political-social organizations; microfinance institutions; and microfinance programs and projects.

To date, the Ministry of Finance has approved 3 insurance companies to implement products similar to microinsurance (Manulife, Dai-ichi, Prudential). However, companies offering insurance to low-income individuals must still meet capital and distribution cost requirements similar to conventional commercial products. Consequently, implementation has not been highly effective, with few participants, low insurance premium revenue, and limited interest from insurance companies in microinsurance. Insurance companies have established regulations and designated staff for AML and Counter-Terrorist Financing (CTF). For those companies that have not yet established regulations or designated staff for AML and CTF, regulatory bodies provide guidance to ensure compliance with legal requirements.

The Vietnamese insurance market currently consists of 19 life insurance companies, all of which have developed and issued internal management procedures for AML and CTF and regularly update relevant legal regulations. In addition to AML and CTF procedures, life insurance companies have established regulations for customer identification, risk assessment, and other processes related to underwriting,

appraisal, and policy issuance. Life insurance companies have also established dedicated departments and appointed personnel responsible for AML and CTF activities. Most life insurance companies are either fully foreign-owned or joint ventures with foreign entities, resulting in strict oversight and control from parent companies regarding AML and CTF. Annually, most companies conduct internal audits on their AML and CTF activities.

All 19 life insurance companies have equipped themselves with modern insurance contract management software. Many companies use software or independent information support for customer identification. Factors that reduce the vulnerability of life insurance products include: (i) Most life insurance companies do not make payments to third parties; only a few companies make payments to third parties who are beneficiaries or heirs of insurance policies; (ii) None of the 19 life insurance companies engage in cross-border insurance payments; (iii) The proportion of clients with foreign nationality or political exposure (domestic or international) is very low; (iv) Current premium payment methods include agency, bank, direct collection, which minimizes the risk of premium misappropriation by agents and other risks related to cash payments.

In recent years, in accordance with Article 39 of the AML Law, the Ministry of Finance has included AML and CTF audits in its audit plans for insurance companies. However, no violations related to this field have been detected so far. Furthermore, during its oversight of insurance companies, the Ministry of Finance regularly issues documents requiring compliance with AML regulations.

The Insurance Business Law and its guiding documents do not have specific provisions for microinsurance products or organizations implementing microinsurance, resulting in potential risks concerning sustainability, especially as this activity expands. To mitigate risks and promote the development of microinsurance in Vietnam, the National Assembly has passed the amended Insurance Business Law No. 08/2022/QH15, which includes microinsurance regulations in Section 22 of Article 4 and detailed provisions in Chapter V from Article 144 to Article 150 of the Law.

Microinsurance transactions involve small values and are designed for the poor and low-income individuals, who typically have limited options regarding transaction values. All insurance companies have established and issued internal management procedures for AML; customer identification and risk assessment regulations; and have set up separate departments and appointed staff for AML and CTF duties. To date, there have been no reported STRs, fraud reports, or criminal activities related to AML/CTF in the provision of microinsurance services. In practice, this remains a small segment of the Vietnamese financial market. **Therefore, the AML/CTF risk for microinsurance products is currently assessed as Low.**

IV. Findings and conclusions

It can be affirmed that the implementation of financial inclusion products has significantly contributed to the success of the Government's policy aimed at achieving financial inclusion in Vietnam, generating positive impacts on the lives of its citizens. Although initial results have been achieved, further refinement is needed to enhance the safety and effectiveness of these products. In this report, the Inclusive Finance Assessment Team offers the following observations and recommendations:

1. Payment and money transfer products

- *E-Wallet Products*: E-wallet services, currently issued by non-bank entities, are considered a crucial solution for promoting financial inclusion in Vietnam, offering widespread availability (including via mobile phones) at low cost. However, e-wallet services in Vietnam predominantly cater to bank account holders in urban areas due to stringent requirements from the State Bank of Vietnam (SBV). Therefore, e-wallet services should be redesigned to better serve rural, remote areas, unbanked individuals, and low-income populations to advance financial inclusion. This could include relaxing some requirements related to the necessity of having a bank account and recognizing e-wallet accounts as independent transaction accounts. At the same time, when relaxing regulations to promote financial inclusion, the SBV should also consider setting limits on transaction values and quantities per day for different customer groups and validating customer information to mitigate risks associated with money laundering and terrorist financing and prevent misuse of e-wallets for illegal activities.

- *Agent-based Payment/Transfer Services*: The SBV needs complete the legal framework to officially allow this model, including the addition of relevant legal documents and regulations concerning payment agency operations, minimum contract requirements for agency services, and the responsibilities of the principal entity, which must manage, supervise, and take full responsibility for the payment agency's activities.

- *Anonymous Prepaid Cards*: The SBV should conduct statistics and gather data on the issuance, usage, and payment of anonymous prepaid cards, and propose solutions to address any issues that arise to maintain low risks of money laundering and terrorist financing.

- *Payment Accounts (PAs)*: (i) The SBV should continue to monitor and address issues arising from the implementation of Circular 16/2020/TT-NHNN and collaborate closely with law enforcement agencies to detect and address violations related to fraud in electronic PAs openings; (ii) The SBV should actively work with the Ministry of Public Security to explore and develop methods for the banking sector to connect with the National Population Database, Citizen Identity Database, and chip-based Citizen Identity Cards to facilitate customer identification, reduce fraud, identity theft, and forgery when opening PAs; (iii) The SBV should review

and refine the provisions in the draft Decree replacing Decree 101/2012/ND-CP and the Circular replacing Circular 23/2014/TT-NHNN based on the new content in the 2022 AML Law to tighten regulations on PAs management and fraud prevention.

- ***Mobile Money Services:*** The SBV should collaborate with relevant units to summarize, evaluate, and report to the Prime Minister on the results of pilot implementation and propose appropriate management policies for this service to maintain low risks of money laundering and terrorist financing.

2. Microcredit Products

Microcredit Products typically involve small loan amounts: no more than VND 50 million (for microfinance clients) and VND 100 million (for other clients) as per Circular 03/2018/TT-NHNN or no more than VND 50 million under Decision 20/2017/QD-TTg for projects by political, socio-political organizations, and NGOs. According to VMFWG data, the average loan value from microfinance institutions remains low due to limited funding and the need to split loans, while most microfinance clients require higher loan amounts.

To clearly delineate the scope of microfinance activities from other non-microfinance activities, it is crucial from a policy and management perspective to precisely define the beneficiaries or target customers of microfinance. Therefore, the Circular should include clearer definitions of these groups, particularly the terms “poor,” “near-poor,” “low-income,” and “micro-enterprises.” These definitions should be anchored in clear legal foundations, with references to relevant regulations and definitions provided in applicable legal documents.

- ***Micro-Savings Services:*** With the current rapid digital transformation, micro-savings could shift from direct deposits to online deposits. This transition may increase risks such as information security, cybersecurity, and technological risks, necessitating updated management methods for closer monitoring of online deposits.

- ***Microinsurance Products:*** The Ministry of Finance should research, review, and enhance the legal framework for microinsurance, considering its specific characteristics to encourage insurance companies to provide microinsurance services to disadvantaged and low-income groups. This includes reviewing regulations to allow these companies to implement simplified customer identification and information updates (KYC/CDD).