TheCityUK

Developing an International Financial and Business Centre in Ho Chi Minh City, Viet Nam

March 2023

About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes 12% of the UK's total economic output and employs nearly 2.5 million people, with two thirds of these jobs outside London. It is the UK's largest net exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It is also the largest taxpayer and makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business, and protect and manage risk.

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Foreword

TheCityUK is delighted to be working alongside the UK Government, Ho Chi Minh City External Relations Office (ERO), Ho Chi Minh City Finance and Investment State-Owned Company (HFIC), Ho Chi Minh People's Committee, Ho Chi Minh City Stock Exchange (HOSE), and the State Bank of Viet Nam (SBV) to bring together regulators and firms across the industry in both the UK and Viet Nam, to support Viet Nam's development of its own International Financial and Business Centre (IFC). This ambitious and far-sighted project will support Viet Nam's Vision to 2045 to deliver long-term, sustainable growth and attract UK and international investors.

As a world-leading international financial centre, the UK can draw on its expertise and experience to support other countries to establish their own International Financial Centres (IFCs). TheCityUK has worked collaboratively with many IFCs around the world, bringing together representatives from across the UK-based financial and related professional services and practitioners and stakeholders in-market to share and gain insights.

This collaboration brings benefits to all those involved. IFCs provide a platform for supporting innovation by building, for example, strong FinTech ecosystems, helping address climate change by developing the right policy environment for green finance, and attracting investment by providing robust legal and regulatory frameworks, spurring market-driven reforms, and boosting financial inclusion.

As a dynamic economy with a vision to becoming a high-income country by 2045 and a commitment to transitioning to net zero by 2050, Viet Nam will benefit from establishing an IFC.

In this initial scoping report, we provide recommendations for how authorities in Viet Nam might go about developing a common vision for an IFC and creating a business and regulatory environment that builds on Viet Nam's strengths, is attractive to global investors and further boost bilateral ties between the UK and Viet Nam. We hope these proposals can support Viet Nam's economic and sustainable growth ambitions.

We look forward to working with our valued partners in Viet Nam as the Ho Chi Minh City IFC concept develops.

Miles Celic
Chief Executive Officer, TheCityUK

"Supporting the development of Ho Chi Minh City as an international financial and business centre is a clear example of how the UK and Viet Nam are deepening our strategic partnership, as we celebrate 50 years of diplomatic relations. Viet Nam is a high-growth, dynamic market and this project looks to share the UK's world-renowned financial and related professional services industry expertise to develop approaches which support long-term sustainable growth across Viet Nam."

H.E. Mr Iain Frew
British Ambassador to Viet Nam

"Establishing an international financial and business centre in Ho Chi Minh City is a key part of the Vietnamese government's Economic and Social Development Strategy. Viet Nam has a dynamic economy, good global links, and a clear vision on how to become a high-income country by 2045. The development of HCMC IFC is a flagship project between the UK and Vietnamese Governments and together we are looking into building even stronger relations between our countries, while making Viet Nam an attractive proposition to international investors."

H.E. Mr Nguyen Hoang Long
The Ambassador of Viet Nam

"Ho Chi Minh City Financial and Investment State-owned Company (HFIC) is delighted to work with the UK in Viet Nam, TheCityUK and other stakeholders among UK experts and businesses to share our insights and ambition in this project. We highly appreciate expertise and best practices shared in this report and look forward to further collaboration in developing HCMC to become an IFC."

Mr Nguyen Ngoc Hoa
Chairman, Ho Chi Minh City Finance and Investment State-Owned Company

Executive summary

This report offers a pathway to building an international financial and business centre in Ho Chi Minh City (HCMC) that aligns with Viet Nam's vision of becoming a high-income country by 2045. In 2022, the UK hosted successful high-level visits from Chairman Vuong Dinh Hue of the National Assembly of Viet Nam, and Chairman Tran Tuan Anh of the Party Central Committee's Economic Commission of Viet Nam. During these visits, both sides discussed how the UK, as a leading international financial centre (IFC), could support Viet Nam in developing its financial and related professional services ecosystem to play a key role in the country's development. Commissioned by the UK Government following the visits by Chairman Hue and Chairman Anh, this report outlines best practices and recommendations from industry practitioners and regulatory experts in both the UK and Viet Nam to support Viet Nam's long-term sustainable growth and attract UK and international investors. This collaboration underlines the deep partnership between the two countries, currently celebrating 50 years of diplomatic relations.

This report identifies different IFC models and emphasises the importance of considering a wider ecosystem when selecting the model best suited for advancing Viet Nam's strategic development objectives. Leading IFCs benefit from a cluster effect of financial and related professional services networks and infrastructure supported by a high-quality regulatory and legal environment. Developing capabilities in talent, infrastructure, and data will strengthen Viet Nam's ecosystem, while expanding its services offering from capital markets to dispute resolution. This will also enable Viet Nam to boost investment in its FinTech sector.

Establishing the right legal and regulatory environment in HCMC is crucial for building an international financial hub that attracts international investment. This can be achieved by implementing a review and a 'modernise' IFC model, a 'hybrid' IFC model, or an 'independent' IFC model, all of which would be underpinned by regular collaboration between regulators and ecosystem stakeholders. To further enhance investment incentives, Viet Nam may choose from various tax models to attract companies to locate to the region.

As Viet Nam considers which model best aligns with its development objectives, it can take several steps to socialise the initiative across government and regulators. There are also key building blocks of the ecosystem that can be implemented now to create immediate impact.

Key recommendations for establishing an HCMC IFC include:

1. Formally include and elevate the development of HCMC IFC in the national agenda. Highlighting its role in the Vision to 2045 and transition to net-zero by 2050 efforts will help ensure sufficient resources and political will are behind this important initiative and gain support at the ground level.
2. Implement a company registrar regime for the incorporation and establishment of legal entities as part of HCMC IFC. The types of legal entities that should be covered include public and private companies, limited partnerships, and limited liability partnerships.
3. Establish clear requirements for businesses not wholly based in Viet Nam, in line with Double Taxation Agreements (DTAs).
4. Establish an international dispute resolution mechanism, such as an international arbitration centre or collaboration agreements with the London Court of International Arbitration, to set up a branch in HCMC.
5. Ease the visa regime for the international professional workforce, particularly in the financial and related services industry. The influx of international expertise will benefit the Vietnamese economy and help develop its local talent.
6. Establish and implement a National FinTech Strategy.
7. Review the current technology ecosystem and digital infrastructure and explore how different technologies and services (internet, mobile data, featurephones, smartphones, social platforms, etc.) could be integrated with FinTech offerings to support Viet Nam's transition towards electronic payments.
8. Develop a strategy for green and sustainable finance that has HCMC IFC's capabilities at its core. Consider how HCMC IFC can facilitate the Just Energy Transition Partnership (JETP) initiative.

Introduction

Viet Nam is an economic success story of the 21st century and one of the most stable and fast- growing economies in the world. In its Vision to 2045, the Government of Viet Nam has set out its goal to become a high-income country by 2045 and embarked on an ambitious economic reform programme to achieve its vision, building on the successes of the Doi Moi ('open door') policies. As it continues its recovery from the Covid-19 pandemic, the Government of Viet Nam is looking to increase Viet Nam's role within global value chains and position the country to capture the advantages of global trends such as digitalisation, whilst also addressing its 2050 net zero commitment.

The UK is one of the world's leading IFCs. The UK Government and regulators have worked closely with industry and other key stakeholders to achieve this position, with an approach underpinned by high standards, a robust principles-based regulatory framework, a strong ecosystem of financial and related professional services, common law, and a vibrant FinTech infrastructure that supports all other economic activity.

A strong financial and related professional services ecosystem plays a critical role in Viet Nam's effort to meet its 2045 aspirations and Green Growth Development Plan. Vietnamese businesses and the development of climate-resilient infrastructure need enhanced access to capital, which in return requires well-functioning capital markets and a broader financial base. The risks unveiled in Viet Nam's banking sector during the Covid-19 pandemic associated with non-performing loans need to be addressed through improvements to banking supervision. There is also an opportunity to further expand financial inclusion through the greater deployment of digital solutions.

The growth potential of Viet Nam's professional and business services sector is immense. The country's trade and manufacturing sectors are well integrated into global value chains. The Government's negotiation of various free trade agreements (FTAs) and the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP) has created new export opportunities. However, trade remains dominated by goods. Viet Nam's imports and exports of goods amount to 179% of its GDP; in comparison, its trade in services amounts to just 6% of GDP.[1] The acceleration of digitalisation and expansion of internet penetration during Covid-19 provide opportunities to grow Viet Nam's trade in services. This can be underpinned by developing a pipeline of domestic talent and promoting the mobility of international professionals. A commitment to free and open data flow is also important. Growing its services sector will allow Viet Nam to increase resilience and diversify its economy. It will also create new employment opportunities in the country.

[1] General Statistics Office (Viet Nam), 2021

Vietnamese policymakers and authorities are demonstrating their commitment to these future growth opportunities by exploring ways to develop its financial and related professional ecosystem. One option is for Viet Nam to develop Ho Chi Minh City (HCMC) into an International Financial and Business Centre (IFC), to provide the right regulatory and business environment to attract new regional and international investment to Viet Nam and accelerate the development of Viet Nam's financial markets and onshore activities that are currently being conducted elsewhere in the region. Steering committees at the national and regional level have been established to explore the feasibility of an IFC that is best suited to Viet Nam's agenda and aspirations. HCMC IFC, alongside the development of other financial centres in the country including Da Nang, will facilitate the flow of international investment into the country, as well as improve domestic markets.

There are several types of financial centres: domestic, international, regional, and offshore. Domestic financial centres serve a specific national clientele. International financial centres like London, New York, and Hong Kong serve a worldwide clientele. Regional financial centres serve a clientele where a region is defined as a supranational area. Offshore financial centres conduct international activities outside of the host country's financial centre. These different financial centre models can serve as useful reference points for Viet Nam as it explores the potential of the HCMC IFC.

An IFC in HCMC could provide significant economic value to Viet Nam and, in the longer term, to the region, by increasing employment, attracting domestic and international investment into Vietnamese businesses, encouraging offshore financial transactions to be conducted in Viet Nam, and re-investing profits into the development of the country and around Southeast Asia.

In 2022, the UK hosted successful high-level visits from Chairman Vuong Dinh Hue of the National Assembly of Viet Nam, and Chairman Tran Tuan Anh of the Party Central Committee's Economic Commission of Viet Nam. During these visits, including meetings with TheCityUK and the Lord Mayor of the City of London, both sides discussed the development of IFCs and the UK's experience in delivering technical assistance in other markets.

Building on these visits and as the UK and Viet Nam celebrates 50 years of diplomatic relations, the Foreign, Commonwealth and Development Office (FCDO), upon request from the Chairman Hue and Chairman Anh of the National Assembly, commissioned TheCityUK to produce a report with suggestions as to potential models for an IFC in HCMC, drawing on the expertise of TheCityUK and the financial and related professional services industry it represents. As part of this UK-Government funded project, TheCityUK established the UK-Viet Nam HCMC IFC working group, comprising key stakeholders across the UK and Viet Nam, launched by Mark Garnier, the Prime Minister's Trade Envoy for Thailand, Myanmar, Brunei, and Viet Nam, during his visit to Viet Nam in March 2023. The project and its intended outcomes build on the UK-Viet Nam Strategic Partnership and FTA between the two sides to deepen bilateral trade and investment links.

Methodology

The first phase of the HCMC IFC project ran between January and March 2023 and focused on project scoping and proposal development. Key outcomes of the work include the publication of this report and its series of recommendations alongside the establishment of the UK-Viet Nam HCMC IFC Working Group, which will serve as a platform for future discussions related to this initiative. The project aligns with the strategic objectives of the Vietnamese Government to develop an HCMC IFC. The ultimate aim is to grow Viet Nam's investment and trade by strengthening its financial and related professional services ecosystem.

This report brings together British and Vietnamese technical expertise, international experience, and the insights of key stakeholders. It identifies priorities for the Vietnamese authorities as they look to establish an IFC in HCMC. The report is based on:

- Qualitative and quantitative research, including desk research of Viet Nam's existing legal and regulatory and governance framework.
- In-depth analysis of other IFCs, including those TheCityUK has helped to establish.
- Multiple consultations with public and private stakeholders in the UK, Viet Nam, and the ASEAN region.
- Discussions held during the UK-Viet Nam HCMC IFC working group meeting, which was attended by distinguished guests from across the Vietnamese government and state institutions, as well as senior industry practitioners from the UK and Viet Nam.

The short timeline to prepare this report presented some limitations – our review was limited to the laws, regulations and regulatory guidelines prevailing at the time the work was undertaken.

This report suggests that an IFC in HCMC could provide significant value to Viet Nam. It could support the country's goal of becoming a high-income country by 2045 and promote sustainable economic growth. This report sets out recommendations for the HCMC IFC's legal and regulatory structure. It also discusses the role of capital, foreign exchange, and commodity markets. In addition, it defines an approach towards taxation and talent development and attraction that could be best suited for Viet Nam. The report encourages further discussion on developing an IFC that builds on Viet Nam's strengths and unique selling points.

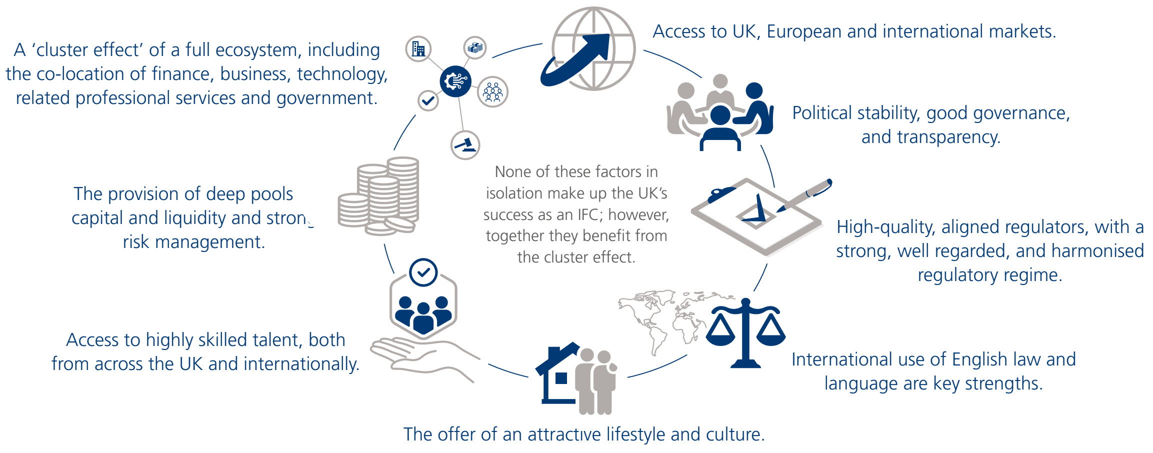
Recommendations

The HCMC IFC can serve as a catalyst for broad-based economic growth by being a source of employment and activity, as well as encouraging international and domestic investment into Viet Nam's private sector and driving climate-resilient infrastructure. It positions Viet Nam for the future by facilitating the growth of a stronger services sector and placing clear focus on the digitalisation agenda. Ultimately, the establishment and successful functioning of an IFC will depend on the support and coordination of a range of government, regulators, and business stakeholders across Viet Nam.

Best practice to create a strong financial and related professional services ecosystem in Viet Nam

TheCityUK has undertaken extensive research on what makes a successful IFC and how to develop and maintain one. In 2017, TheCityUK and PwC published 'A vision for a transformed, world-leading industry' that identified which factors and indices are most important to measure when seeking to determine a country's rank as an IFC. The report also identified steps for the public and private sector decision to take to ensure the country's continued pre-eminence in financial and related professional services.

At the core of the report is the understanding that an IFC must be viewed as an ecosystem. When looking at what makes a centre attractive, a range of quantitative and qualitative factors need to be considered. Infrastructure or urban planning cannot be seen in isolation; important dynamics include whether the financial centre has strong financial and regulatory infrastructure and a network of related professional services firms that can support it. These things can take time to establish but will help ensure the effectiveness and attractiveness of an IFC. Taking the UK as an example, other relevant factors behind its status as a world leading IFC include:



HCMC's current standing and advantages

HCMC is currently ranked 104 on the 32n edition of the Global Financial Centres Index (GFCI).[2] It is Viet Nam's main economic and financial hub, and its largest city with a population of 9.2 million.[3] Viet Nam should consider developing its local financial market, including through liberalisation and administrative intervention in areas such as capital, forex, and derivative markets. Viet Nam's capital markets have experienced strong growth over the past two decades; stock market capitalisation to gross domestic product (GDP) grew from 11% in 2011 to 54% in 2020 but continue to lag several of its ASEAN neighbours (Singapore, Thailand, Malaysia, and the Philippines).[4] The corporate bond market remains underdeveloped, with government bonds continuing to dominate. There is a limited range of products and services. Improvements to infrastructure, the legal and regulatory framework, talent, and skills of the labour force will also enhance the city's attraction to offshore investors and create a thriving regional market. Such reforms will catalyse sustainable economic growth and investment throughout the country, beyond HCMC.

The fundamentals that would allow HCMC to thrive as an IFC are in place. Viet Nam has a population of 98.5 million and is enjoying a demographic dividend.[5] There is a 96% literacy rate, with English the most popular foreign language in HCMC and other urban areas.[6] The country enjoys political stability and certainty, and the Government has prioritised boosting its international economic integration through the successful conclusion of free trade agreements (FTAs) and other plurilateral agreements such as the CPTPP and Regional Comprehensive Economic Partnership (RCEP). These trade agreements have led to a more transparent investment environment and positive revisions to Viet Nam's legal and regulatory framework.

According to the e-Conomy SEA 2019 report, Viet Nam's internet economy is projected to reach US$43bn in 2025, surpassing other regional economies (Malaysia, the Philippines and Singapore). It has one of the highest mobile penetration rates in Southeast Asia; the Vietnamese are also among the most receptive to the users of apps with built-in financial services. The SBV's efforts to usher in digital transformation of the banking industry and control emerging risks are welcome and should be built upon.

Viet Nam is also viewed as one of the leading foreign investment destinations in the region, especially with the Government's commitments to achieving net-zero carbon emissions by 2050 and phasing out coal power generation by 2040.

As Viet Nam's main business and commercial hub, HCMC plays a key role in how the country is riding global trends. The city is home to the HCMC Stock Exchange, with a market capitalisation of about US$177bn (almost 20 times the size of the Hanoi Stock Exchange in 2020, according to the World Federation of Exchanges). The city also houses Viet Nam's largest maritime port and is next to what will be Viet Nam's largest international airport – Long Thanh International Airport, scheduled to open in neighbouring Dong Nai province in 2025. Efforts to improve public transport infrastructure are also being undertaken. There are exciting opportunities around the development of the Thu Thiem New Urban Area, across the river from District 1, currently the central business district. The new urban area provides opportunities for developing the ecosystem further and enhancing HCMC's appeal to international talent.

[2] China Development Institute (CDI) in Shenzhen and Z/Yen Partners in London collaborate in producing the GFCI. The GFCI is updated and published every March and September. In ASEAN, HCMC is currently ranked behind Singapore (3rd), Kuala Lumpur (56th), Bangkok (79th), Jakarta (95th) and Manila (102nd).
[3] General Statistics Office of Viet Nam, 2021.
[4] World Bank, 2021.
[5] General Statistics Office of Viet Nam, 2021.
[6] World Bank, 2019.

Infrastructure for a thriving financial and related professional ecosystem

The key question is how Viet Nam can create a financial and professional ecosystem that would allow it to build on its successes and position itself for the next phase of growth. The following areas should be considered:

Talent:

- The visa and residency requirements for skilled international workers basing themselves in HCMC IFC.
- The delivery of skills enhancement programs for the HCMC workforce to create a wider range of career opportunities, attractive salaries, and a range of firms to work with.

Infrastructure:

- The introduction of high-quality public international schools, public and private hospitals, public transport and international air links, access to outdoor leisure areas, and cultural activities. A scoping study would help to identify what HCMC IFC's proposition to attract international practitioners should be. Different financial centres produce different propositions; for instance, Abu Dhabi's IFC (ADGM) has positioned itself as an attractive destination for families, whereas Dubai's IFC (DIFC) appeals more to younger workers. Lujiazui in Shanghai offers great transport links and pedestrian access, and partnerships with top Universities to attract top talent. Creating more pedestrian and cyclist friendly areas could also be considered to reduce pollution and improve air quality.
- The development of the Thu Thiem urban area, Thao Dien area (District 2), and potentially District 9, which together would provide an attractive environment for both domestic and international talent. The integration with the current business district (District 1) should be considered, along with initial preferential rental and tax arrangements for financial services and other businesses which base themselves there.

- Once the value proposition has been identified, a list of items to address will help city authorities and government departments work together to create and finance the construction of necessary infrastructure (e.g., offices, ICT, houses, cultural activities). HCMC authorities may also consider how to form partnerships with international schools so that they can set up campuses in the city.
- Whether the 'enclave' model, where authorities seek to co-locate all financial and professional services functions in the same district of the city (e.g., Thu Thiem), or the 'club' model, where business within a much broader defined space (e.g. HCMC or more broadly across Viet Nam), have the option to register to be treated as members of the IFC regardless as to they are located within it, is best suited to the development of an ecosystem
  - 'Enclave' approach: This is the model pursued by the financial centre in Dubai where everyone involved in the financial centre works side by side. This can help to create a feeling of community and strengthens the sense of an ecosystem. It also allows regulators to have ready oversight of businesses in the centre.
  - 'Club' approach: Astana International Financial Centre (AIFC) offers an example of this. Any business within a large area of Astana can register as a member of the AIFC, even if it is physically outside of the AIFC.

Data:

- The approach towards international data transfers. Ensuring the free flow of data with trust across borders will enable businesses, large and small, to provide services from HCMC IFC to consumers across jurisdictions, and to leverage cutting-edge technologies that drive sustainable development.

When considering these choices, it should be clear that the HCMC IFC must not become seen as being principally a real estate project. Soft infrastructure (e.g., establishing and upgrading a legal and regulatory regime) is more important than the hard infrastructure that supports the centre.

Proposed capabilities/service offering of the HCMC IFC

All successful IFCs share four main characteristics: (i) economic and political stability; (ii) an efficient and experienced financial community; (iii) good communications and supportive services; and (iv) an official regulatory climate favourable to the financial sector.

Within this broad framework there are different approaches to IFCs which can be considered, and these are covered in the next chapter.

Alongside a determination of the structural model of the IFC, it is also important to consider the services that it should be able to offer.

The aim for HCMC IFC is to drive the sustainable growth and development of Viet Nam by increasing investment and access to capital and supporting the Government's reform programme. TheCityUK undertook extensive consultations with the SBV and the HFIC, as well as international and domestic businesses, to understand what is most important to business, regulators, and government to deliver from an HCMC IFC. Based on the results of these consultations, TheCityUK suggests that the HCMC IFC could focus on the following goals:

- Provide a bridge between foreign investors and domestic businesses.
- Facilitate the access of foreign capital into the local market and into the development of climate-resilient infrastructure.
- Develop internationally recognised legal standards.
- Improve the availability of funds for investment in the Vietnamese economy.
- Increase liquidity in the local capital market.
- Extend the financial instruments available for local businesses.
- Create a conducive environment for FinTechs and digital banks to thrive.
- Transfer knowledge through engagement with the international community and deliver skills development programmes to build a future talent pipeline.

To achieve this, HCMC IFC needs to offer a range of financial and non-financial services. These are presented in alphabetical order below (not by order of importance):

- **Access to an independent and expert judiciary:** to deliver the highest international standards of legal procedure and dispute resolution. An independent judiciary could be the ultimate arbiter of the new legal and regulatory regime, in addition to holding a dispute resolution function. The jurisdiction would be confined to the activities of the IFC, with an 'opt in' option for governing law and dispute resolution. The judiciary should have the experience and expertise necessary to resolve complex financial and commercial issues.
- **Accounting standards:** implementation of internationally recognised accounting standards can foster greater corporate transparency. International Financial Reporting Standards (IFRS) could be implemented to improve consistency and integrity to current accounting standards and practices, align them with international best practice, and improve transparency of financial statements for public companies.
- **Ancillary services:** to provide infrastructure that supports essential non-financial services (retail operations, distribution, etc.) as well as enabling professional services related to the financial sector (legal, accounting, auditing, and management consultancy services, credit rating agencies, etc.). There could also be support for businesses wishing to set up and/or scale up their in-country operations.
- **Asset management and fund management:** to provide domestic and international investors with access to markets in Viet Nam and the ASEAN region. It should create opportunities for global and local private equity, hedge fund and real estate fund managers to add diversity to their portfolios through diversified investment in Viet Nam and regional businesses. The fund management sector should be able to support domestic and international investors who need locally based specialists that are able to assess and enable investment in businesses in Viet Nam and the region.
- **Banking:** Viet Nam's market growth and economic development demands a full range of commercial and wholesale banking services. HCMC IFC should be able to support the country's banking sector growth, including in key areas of trade and export finance, as well as facilitating funding for long-term bankable projects. This could include permitting international businesses operating in Viet Nam to operate FX bank accounts (private FX bank accounts are already available).
- **Brokerage services:** to provide national and international investors trading on local, regional, or global stock exchanges access to primary and secondary trading activities. An active broking sector (both traditional and FinTech based) is crucial to the development of the capital markets.
- **Capital markets:** to develop a deep and liquid capital market in Viet Nam and in the ASEAN region by providing clear and favourable conditions for attracting local and foreign investors, financial institutions, brokers, and other professionals as well as creating a platform to finance the growth of the private sector and the entire economy. This will enable greater institutional investment (in particular by pension funds) in capital markets, which currently rely heavily on retail investors, and the introduction of broader and more sophisticated products. This can include the implementation of a coherent structural design of the financial sector and its legal and regulatory framework that is aligned with international best practice, as well as improved financial statistics and information sharing.
- **Clearing:** to review the existing clearing and depositary arrangements to ensure they are aligned with international best practice.
- **Commodities exchange:** to facilitate the trade in commodities within the region with an emphasis on commodities produced and traded in Viet Nam (such as LNG, iron e, etc. with prices governed largely by international commodity prices). Although the Mercantile Exchange of Viet Nam currently operates in Hanoi (with a representative office in HCMC), its volume of dealings is limited. To ensure producers obtain better prices through Futures, Options and Derivative financial instruments, the country needs a modern Commodities Exchange that is connected to world's commodity exchanges (such as London Commodity Exchange) – ensuring transparency of information about sale volumes and prices.
- **Company registry:** to advise, receive, review, and process all applications submitted by prospective HCMC IFC businesses seeking to establish a presence in the Centre in accordance with the Companies Law, the General Partnership Law, the Limited Liability Partnership Law or the Limited Partnership Law and the applicable implementing regulations.
- **Derivatives markets:** to support the development of a deep and liquid derivatives market and enable companies and banks to hedge and trade their exposures in a well-regulated and secure environment. Although the Vietnamese derivatives market has been in operation for over five years, it has very few products focused on retail. Given the country's ability to produce various commodities and its location, increasing the number of and diversifying products on the derivatives market, streamlining governance rules and aligning its operations with international standards (including guidelines on obtaining approval by bib-credit institutions to trade derivatives), will attract a large number of investors.
- **Dispute resolution:** to provide access to specialist commercial and financial dispute resolution mechanisms within its legal and judicial infrastructure supported by a swift and effective enforcement mechanism. A robust dispute resolution framework, including international arbitration, provides confidence to member firms and the markets that appropriate means exist to protect their property rights. The system for dispute resolution could allow for an 'opt in', where both parties agree, to resolve complex commercial disputes arising in the wider Viet Nam economy.

Expat services: to support expatriates with visa applications, related taxes, renewals, training and development, events, infrastructure (public transport links, roads, airports, including the new airport in Long Thanh, tube, etc.) and cultural activities will help to attract the talent required in an IFC.

FinTech: to support the development of FinTech to reduce the cost of traditional financial services, increase financial inclusion, facilitate an expanded integration of Viet Nam's financial system with global markets and accelerate the development of the local financial system and HCMC IFC financial infrastructure. HCMC IFC should aim to attract domestic and international FinTechs, and bring entrepreneurs together with international investors, industry experts, and a highly skilled talent pool. This will, in turn, help to develop a more mature, diverse, and knowledgeable investment market in Viet Nam with a pipeline of opportunities for venture capital funds and financial institutions. To foster a strong FinTech ecosystem and support the digitalisation agenda, the authorities, in collaboration with TheCityUK, could consider developing the National FinTech Strategy, a FinTech one-stop-shop, and a single consolidated regulatory FinTech sandbox.

Green and sustainable finance: to support the sustainable development of Viet Nam and its ambition of becoming net-zero country by 2050 and phasing out coal power generation by 2040. These commitments will have to be bolstered by the engagement of the domestic private sector and through external finance. HCMC IFC should play a key role in mobilising finance, including developing climate-resilient infrastructure as well as decarbonising the economy and helping it adapt to the changing climate. Vietnamese authorities could consider embedding sustainability across Viet Nam's financial system and the economy, and fully apply the power of capital markets: these can help to drive growth and innovation in Viet Nam's green economy and support the transition to net-zero across the economy in parallel, including traditionally carbon-intensive sectors. Green finance investments, and other financial instruments aimed at delivering environmentally friendly growth, could allow green projects to develop, which would be impossible under standard financial conditions. HCMC IFC should support the use of green bonds, green credit, green capital, concessional lending, subsidies, transition finance tools and sound domestic policies to support sustainable development in Viet Nam. This could be achieved by establishing a sandbox under the Just Energy Transition Partnership (JETP) to fast track some of the finance products for sustainability.

Holding and finance companies and special purpose vehicles (SPVs): to enable the establishment of holding companies, group treasury/financing companies, representative and management offices, SPVs and other entities for international and domestic groups.

Independent regulatory authority: to supervise and, if necessary, enforce against, firms operating within the IFC. A bespoke set of financial regulations and rules could be applied in a flexible manner to allow innovation while ensuring consumer protection. HCMC IFC could consider whether 'principles based' regulation is the best option, and whether the IFC should have its own regulator or if it should build capacity and expertise within the existing domestic regulators. If there is to be a separate regulator, it must work closely with domestic regulators and facilitate a system of mutual recognition between HCMC IFC and the wider domestic market. The new or enhanced regulatory authority should also include international experts.

Insurance and re-insurance: to allow foreign institutions to use HCMC IFC's legal and regulatory infrastructure and take advantage of the business opportunities and privileges offered within the IFC.

Intermediation/coordination role: to allow easy and interchangeable access between HCMC IFC bodies, governmental institutions. foreign organisations and industry bodies.

Legal regime: to introduce a set of laws, including bespoke financial regulations and rules, applicable within HCMC IFC which are ether based on the existing legal and regulatory regime or are newly formulated, and which are based on international best practice. Consider using common law principles.

Private banking: to develop internationally recognised practices of wealth management in Viet Nam. HCMC IFC should provide a platform that supports the development of an extensive range of private banking products and services (investment and portfolio advisory, tax and wealth planning, asset allocation).

Rating agencies: to help firms obtain essential credit ratings to support the issuance of capital market instruments, borrowing and lending operations as well as evaluating counterparties' risk profiles.

Real estate management and leasing operations: if the enclave model is adopted, to approve and register all types of transactions related to real estate in accordance with HCMC IFC laws and regulations.

Stock exchange: to provide investors and issuers with an active and upgraded stock exchange as the main driver of capital investment providing initial and secondary public offerings, secure investment trading, sovereign and corporate bonds, sovereign and corporate Eurobonds, depositary receipts and exchange traded funds and notes. Harmonising or aligning listing requirements for the HOSE (which handles 94% of transactions) and the Hanoi Stock Exchange (HNX) (primarily for bond listings). This could also be beneficial to businesses wishing to list in Viet Nam as well as strengthening the clearing, settlement, custody and register systems. Clear guidelines and efficient processes to approve overseas listings will attract further investment and improve trading activity. Questions to consider include whether HCMC IFC should have its own stock exchange and/or whether HOSE and HNX should service HCMC IFC. To develop its stock market capabilities, Shanghai has launched several initiatives, including the Shanghai-Hong Kong Stock Connect, Shanghai-London Stock Connect, and the Shanghai Sci-Tech Innovation Board (SSE STAR Market). The Shanghai-Hong Kong Stock Connect market access initiative allows investors to trade and settle shares listed on the other market through stock exchanges and clearing houses in their home market. This has helped to solidify China's Shanghai stock market rank in the world (3rd place) by market capitalisation. The Shanghai-London Stock Connect allows foreign investors in London to access the Chinese market. The STAR market initiative allows technology companies to raise funding through listing on the equities platform and allows for firms to go through a fast-tracked process.

Trade finance: to provide domestic banks with easier access to the vast network of correspondence banking internationally, thus improving their reach to new markets and opportunities to enhance their trade activities and revenues.

Legal and regulatory structure for the HCMC IFC

This section outlines different aspects and benefits of various legal and regulatory structures using examples from other IFCs. This is intended to assist the Vietnamese authorities decide which model best suits their strategic objectives for HCMC IFC.

Financial centres around the world apply different models for their legal and regulatory structures aimed at attracting international investors and financial businesses. There is a spectrum of options that the Vietnamese authorities could consider as they look to improve the existing financial services infrastructure and develop the HCMC IFC:

Review and Modernise Model

Existing structures (e.g., courts, judiciary, regulators, capital markets) and existing legal and regulatory regime are retained. Key areas are reviewed and modernised, for example:

- Align financial regulations with international best practice.
- Identify new or existing areas for specialist bespoke regimes, (e.g., FinTech, green finance).
- Capacity building for existing regulators and judiciary.
- Update International Arbitration Centre (IAC) rules and enhance rapid and effective enforcement of awards.

Mid-Range / 'Hybrid' IFC Model

Significant intervention to create specialist institutions and regulators, for example:

- Create specialist institutions using a combination of external and local expertise.
- Create a specialist commercial court within the existing judicial system, overseeing the financial regulator and supporting an IAC.
- Create a new financial regulator (or consolidate the existing domestic regulators) with enhanced powers of enforcement.
- Introduce legislation and financial regulations targeted at centre's USPs and based on best practice.
- Align IFC's strategic objective with key government policy agendas, so as to ensure that IFC development is high on the national agenda.
- New regime to apply only to certain entities (e.g., financial institutions, financial services companies with significant turnover, certain key financial activities).
- Consider consolidating and reforming the capital, FX, commodities, and derivatives markets.
- Significant capacity building.
- Create modern infrastructure and a physical space for the centre, but without restricting the centre activities to a defined territory.
- Vietnamese is the official language but supported by extensive use of English.
- Visa exemptions for those working in the financial sector.

Independent, freestanding IFC Model

Extensive restructuring to create a specialist independent financial centre within the host nation.

- New, separate, and independent legal and regulatory regimes.
- Independence underpinned by changes to core legislation.
- Legal regime based on common law principles.
- New dispute resolution structures (courts and IAC).
- Bespoke set of 'principles based' financial regulations.
- New capital market.
- Restricted membership (FIs, financial services companies, ancillary service providers).
- Free standing company registry.
- Favourable tax regime for members.
- Visa free operation.
- Newly created infrastructure and designated territory.
- No capital restrictions.
- Mix of reserve currencies.
- English and Vietnamese are the official languages of IFC.

The independent IFC model, pioneered in DIFC and followed in the AIFC, Qatar Financial centre (QFC), and ADGM, would require the implementation of a new legal and regulatory regime in HCMC IFC distinct from that applicable in than the rest of Viet Nam, but still established under newly enacted Vietnamese domestic law. This model's major advantage is that it is a symbolic, high-profile policy move that will reflect the conviction from the Government to create an open and international hub for business. As proven in DIFC, AIFC, QFC and ADGM, the adoption of this model can successfully attract foreign direct investment (FDI) and boost business confidence. Such a model could allow the IFC to benefit from the existing 'network' of similar IFCs – including the use of each other's courts and mutual recognition. However, this model can be disruptive in the short term. It amounts to having two systems in one country, it is relatively expensive to implement and often takes time before financial activity increases significantly.

The review and modernise model (which was being explored in Istanbul) is the least disruptive as it involves maintaining existing structures but modifying and modernising various aspects in line with international best practice. The focus is on modernisation and creating fit for purpose legislation for emerging areas such as FinTech and sustainable finance, as well as on capacity-building. It has the advantage of being the easiest model to implement but may have a limited impact given that the benefits it brings will be more incremental. With this model, HCMC IFC is less likely to stand out vis-à-vis its peers. Any increase in FDI and economic activity will also be less significant.

The 'hybrid' type IFC model, is likely to be the most suitable for the HCMC IFC. It requires less, but still significant, intervention than the independent IFC model. It is a middle-ground approach which addresses weaknesses in the existing financial services infrastructure and can be tailored to address existing government policy (such as net zero and Vision to 2045) while still making an important external statement that can attract FDI. Such hybrid approaches have been adopted in a range of IFCs, such as Tashkent in Uzbekistan. It takes a holistic approach to regulation within the whole of Viet Nam's financial sector. However, it may not be sufficiently impactful in a highly competitive region with other IFCs such as Hong Kong and Singapore. It could also be challenging to integrate external and domestic expertise effectively.

Whichever model is selected, regular interactions between regulators and market stakeholders will help ensure that the legal and regulatory regime benefits the market as a whole, by adopting international best practice and taking into account the needs of the private sector.

A possible way forward would be to create a roadmap for the evolution of HCMC IFC starting with a hybrid model and moving towards the more independent model. This could be done for example, by identifying objectives to be achieved within a five-year period and then taking stock and setting further objectives for the following five years and so on. These longer-term strategic objectives should complement the Vision 2045 and net zero 2050 policies. Aspects to consider when deciding on which model to adopt include:

- Whether the creation of a separate, independent legal and regulatory structure based on international best practice will give HCMC IFC more credibility with investors and international businesses and financial institutions. Whether, if framed correctly, it could lead to a strong and productive relationship between HCMC IFC and the rest of Viet Nam.
- How the HCMC IFC would interact with the existing regulatory frameworks in Viet Nam. The DIFC, for example, as a financial free zone (FFZ), operates on the basis that, whilst it is carved out from the rest of UAE, UAE banking business is not supposed to take place in the FFZ and FFZ entities are not allowed to 'deal' in UAE currency. On the other hand, the QFC's laws and regulations apply throughout the country and not just within the zone.
- Consider whether HCMC IFC's regulatory authorisation should permit the conduct of regulated financial services throughout Viet Nam or should be restricted to activities within HCMC IFC.
- Consider how the HCMC IFC could attract both domestic and international businesses and investors. Consideration should be given to flexible and remote working and to potential for offices both inside and outside of HCMC IFC.
- In some cases, where financial centres become separate jurisdictions (e.g., DIFC model), changes to the country's constitution may be required. Would modest amendments to the constitution be required in Viet Nam to create HCMC IFC and what steps would need to be taken to achieve that?
- Ensuring that business services and the regulatory environment are fair and open to all newcomers, with support for those wishing to start businesses in HCMC IFC and Viet Nam.
- If the independent model were adopted, how to foster a strong legal and regulatory relationship between HCMC IFC and key decision makers at the national level in Hanoi in relation to the conduct of regulated activities and to the enforcement of court judgments. Ideally, this would result in formal recognition of the HCMC IFC regulatory regime within greater Viet Nam (allowing, for example, an HCMC IFC authorised entity to sell its financial products directly into the wider Vietnamese market without the need for dual authorisation). If the independent model were adopted, the long-term sustainability and success of HCMC IFC (and its ability to have a positive impact on Viet Nam's economy) will largely depend on its bodies being able to work well with Viet Nam's existing financial regulator, ministries, and policy makers (including relevant steering committees and existing/future working groups), while galvanising and encouraging private sector. Continuous collaboration and clarity on responsibilities between different regulators will be essential. For example, SBV could assist with developing a regime for regulating banking activities within the HCMC IFC and across Viet Nam, while State Securities Commission of Viet Nam (SSC) would assist with developing a regime for regulating the capital markets and financial services generally. Joint steering committees (already established at the national and regional level) and working groups could also be used.
- How to facilitate the participation in and support of the HCMC IFC by domestic professionals and businesses.
- How to develop the HCMC IFC so that it can grow without causing any detriment to the broader market or to the oversight of the existing regulators, including currency control, market conduct and financial crime controls (which, for example, in the UAE, apply across all free zones).
- Whether the HCMC IFC should consider applying a base currency which will be used by HCMC IFC firms for their accounts, recording transactions and reporting purposes. The single base currency could bring uniformity to reporting standards but not prevent companies from trading and executing their transactions in other currencies.
- How to foster good governance and regulatory practice by providing training for foreign and domestic companies.

An overview of how a common law system might work for the HCMC IFC

Many financial centres choose to base their laws on the English common law legal systems. The English Common law is the most widespread legal system: over 40 countries and territories use common law, and over 60 use it as a part of a mixed legal system, in which common law is blended with the local law. English common law is both familiar to international financial institutions (many complex international financial agreements use English law) and flexible (using court led jurisprudence). The common law underpins the legal systems of the world's top international financial centres – London, New York, Singapore, Hong Kong, as well as other IFCs such as Abu Dhabi. The integration of English law within Malaysia's legal system has contributed tremendously towards the development of the mixed legal system (customary law, Islamic law, and common law), which is highly regarded in the region. While Viet Nam's current system is a civil law system, both the UAE and Kazakhstan – countries based on civil law system - have successfully incorporated common law into DIFC and AIFC respectively.

An independent judiciary and compliance with the rule of law inspires business confidence and underpins international trade and investment. When considering how to benefit from the advantages of English common law, a further detailed assessment should be conducted as to how the HCMC IFC could work with the already existing legal systems in other IFCs such as Singapore, AIFC and QFC, including whether to use their courts and dispute resolution mechanisms. Consideration could be given as to whether HCMC IFC should develop its own court and dispute resolution centre, or whether it should partner with another IFC with a similar common law based legal regime to deliver court and arbitral procedures that are practical and innovative, while delivering cost-effective, swift, and efficient resolution of commercial and financial disputes.

If a separate independent legal and regulatory regime is selected for HCMC IFC, it is likely to require a general legal framework (including basic laws such as contract, insolvency, company, etc.) which underpins a set of bespoke financial regulations targeted at the desired financial activities for the IFC (e.g., capital markets, FinTech, green finance etc.) and a dispute resolution system. This will provide businesses and investors with the confidence that, should a dispute or a legal matter arise (including where a state entity is a counterparty), they will have access to a legal system presided over by independent, common-law judges with the technical expertise to decide complex commercial and financial cases. Whether the HCMC IFC develops its own court and arbitration system or makes use of an existing one, it will be essential to ensure that a quick and effective system for the recognition and enforcement of judgments and awards is in place within the wider Vietnamese legal system. For example, as an independent legal jurisdiction, DIFC has its own arbitration laws, which are modelled on English common law. The Dubai International Arbitration Centre is the region's leading centre for alternative dispute resolution to allow parties, with no limits on their jurisdiction, to resolve matters without going to court. There are no obligations for parties to have any ties to the DIFC, Dubai, or the UAE in choosing the DIFC as their centre for dispute resolution.

If a hybrid model were adopted, consideration could be given as to how common law principles might be incorporated into the operation of the specialist commercial court.

An overview of how an upgraded regulatory framework might be developed

When considering how to approach the enhancement of the existing regulatory framework, the consultations with regulators, government and business identified the following points that could be considered:

- The types of financial activities to be conducted in and from HCMC IFC which could be expanded in the future.
- The structure, composition, and powers of the financial regulator so as to ensure compliance with international best practice and local buy in.
- Resourcing needed by the regulators to implement the new financial services regulations.
- The preference for an 'enclave' model (e.g., DIFC) where membership is defined by residence within a defined territory or the 'club' model (e.g., QFC and AIFC) where membership is defined by becoming a member of the centre and following its rules.
- The implementation of a regulatory framework that is clear, stable, consistent, and transparent which should not be overly complex at the outset.
- The types of authorised financial activities and the level of regulatory supervision required by the HCMC IFC regulator.
- A company registrar regime for the incorporation and establishment of legal entities as part of HCMC IFC. The types of legal entities that should be covered include public and private companies, limited partnerships, limited liability partnerships.
- Foreign ownership: other IFCs permit 100% foreign ownership of companies and land.
- Training that is provided to local professionals in relation to HCMC IFC rules and regulations, which will be essential to ensure their buy-in and high-quality practical delivery.
- Whether to adopt English as the working language for the bodies of HCMC IFC (such as the court and regulator), but with easy access to high quality rapid translation to and from Vietnamese.
- Supporting upskilling of regulators, government, and professionals in business English.

Taxation and investment incentives

Taxation is one of the key factors to address in an IFC. IFCs are often characterised by favourable tax regimes for foreign corporations. Favourable taxation regimes can attract capital from higher tax jurisdictions and can help to kickstart a new IFC, while favourable and extensive bilateral treaties act as conduits through which investments pass. For example, Singapore provides full tax exemptions on most foreign income as well as various non-disclosure agreements, which make it a popular conduit for inward investment in Asia. Other IFCs introduce temporary, yet significant tax breaks and incentives to attract investment, which over time move towards standard tax rates.

HCMC IFC may therefore wish to consider favourable tax treatment for investors, at least during the first years of establishment. Several alternative models could be explored in HCMC IFC including an offshore model, where businesses that invest in Viet Nam through HCMC IFC pay less tax on profits from Viet Nam than they otherwise would or a model where tax incentives in the form of enhanced tax depreciation allowances (capital allowances). Other, less favourable models include a double tax model, where businesses pay Viet Nam and HCMC IFC tax or a tax neutral model. A separate study by TheCityUK could be performed to review this recommendation in more detail and to assess the feasibility of favourable tax treatment that could be applied to businesses operating in financial services in HCMC IFC. The following should be considered when implementing the tax regime for the IFC:

- Whether there should be tax concessions/ tax holidays (and for how long) for business that establish themselves in HCMC IFC and whether they should be open to all businesses – models that worked well in Singapore and Kazakhstan. AIFC allows its participants to be exempt from Corporate Income Tax until 2066 for financial services and ancillary services provided to licensed participants, no taxes on shareholder dividends, and places no restrictions on the repatriation of profits.
- Should a tax neutral approach be adopted, an assessment of the overall competitiveness of taxes in Viet Nam should be undertaken as well as relevant legislative and regulatory reviews, tax law interpretation and its application in practice. The standard approach to tax application should be implemented to address current issues with the practical application of tax laws. It will be also vital to assess whether simplifying the tax code could help encourage more foreign investment into Viet Nam.
- If non-financial sector holding or treasury companies can establish within the HCMC IFC, the right tax regime should be applied. This could be done in three ways: (i) a company based in HCMC IFC but carrying business in Viet Nam could pay double tax (i.e., a tax in HCMC IFC and standard Viet Nam tax rates); (ii) pay low level tax in HCMC IFC and no tax in Viet Nam; or (iii) pay the same amount of tax as a normal business in Viet Nam.
- Establish clear requirements for businesses that are not wholly based in Viet Nam, in line with Double Taxation Agreements (DTAs).

Role of FinTech in financial centre ecosystem

A proper regulatory regime and environment of an IFC needs to encourage FinTechs and foster innovation in a way that protects consumers and the wider market. Viet Nam will become the 10th biggest consumer market by 2030, and FinTech could provide a wide range of solutions that could tailor to country's booming digital market.

FinTech is changing the financial ecosystem as well as the requirements for IFCs. To develop as a FinTech hub, the HCMC IFC needs to provide investors with the relevant infrastructure technologies and automated systems, such as data bridges with other countries, artificial intelligence, blockchain, etc. The HCMC IFC also needs to provide banks and financial institutions with speedy and reliable Anti-money Laundering/ Know your Customer (AML/KYC) processes as well as relevant regulatory framework.

FinTech has become a central part of the global financial services landscape. In recent years, investment in the FinTech sector has seen significant growth. Currently there are over 263 FinTech firms operating in Viet Nam, ranking only second behind Singapore in the ASEAN region for FinTech investment and sixth globally for the total number of FinTech firms in operation. Vietnamese FinTech already operates in e-wallet and digital payment, Peer to Peer (P2P) lending, blockchain/ cryptocurrency, point of sales (PoS), investment and wealth management, comparison, data management/ credit scoring, crowdfunding, InsurTech, digital banking and SME financing. The success of FinTechs is driven by their increased risk appetite as well as their ability to bring innovation at a faster pace and reach population that is not commercially always viable to large financial institutions. They can be a key driver of financial and digital inclusion as demonstrated by the impact of mobile money expansion in Kenya, where FinTech has lifted 2% of population out of extreme poverty. In addition, FinTech has significant job creation potential, with more than one billion jobs created by the sector across developing markets. Being mostly small sized companies, FinTechs strongly depend on a simple, low-cost regulatory environment which enables them to gain approvals and licences in an efficient manner. This requires special policy and regulatory consideration by regulators, as well as supporting infrastructure, and improved access to both traditional and new sources of finance.

Creating a successful FinTech ecosystem is complex. To create a booming sector that attracts investment requires collaboration and alignment of a diverse portfolio of stakeholders: FinTechs, banks, regulators, investors, telecom providers, etc., across several dimensions (demand, governance, policy, infrastructure, technology, talent, financing).

The UK is a world leader on the international FinTech stage, ranking number two in the world behind the US. This multi-billion tech sector is a major employer and plays a leading role in the development of innovative technologies. As a leading global FinTech hub, the UK is supported by a large financial services market, forward-looking government and a regulatory environment that facilitates and supports innovation.

There are numerous international approaches that could be adapted to Viet Nam, including the UK 'test and learn' model of regulation (also adopted by Singapore), UK-pioneered regulatory sandboxes (now implemented in many other jurisdictions), Singapore's model for attracting and developing talent and relevant infrastructure, or FFZs as adopted by the UAE. DFIC has various FinTech incentives, including the DFSA's sandbox (the 'Innovation Testing Licence

Programme), an Innovation Hub with an accelerator programme and an open finance lab, as well as numerous FinTech cooperation agreements with international counterparts.

Viet Nam's FinTech has so far received active support from the government, and more specifically from the SBV. The Financial Technology Steering Committee was formed, and in 2021 a proposal to develop a decree on a regulatory sandbox for FinTech activities within the banking sector was approved. In addition, the Law on Insurance Business that was passed in 2022 contains a dedicated section on digital transformation of the insurance industry, including InsurTech.

If Viet Nam's authorities are looking to increase investment into FinTech sector and create a light-touch regulatory environment that extends to the entire FinTech ecosystem, the scoping study, that could be conducted in the next phase of TheCityUK's project should assess:

- How to develop the national FinTech development strategy and link it to the broader needs of Viet Nam's economy, including Vision 2045.
- How to create right-touch FinTech regulation and licencing regime to help start-ups and to help FinTechs scale internationally.
- How to collaborate with education sector to create/upskill talent and build digital skills to encourage innovation.
- Review the current technology ecosystem and digital infrastructure and explore how different technologies and services (internet, mobile data, featurephones, smartphones, social platforms, etc.) could be integrated with FinTech offerings and support Viet Nam's transition towards electronic payments.
- How to enhance regulatory coordination and collaboration across the various existing sandboxes would deliver even greater benefits and leverage these tools to full effect. The work done in South Africa to coordinate regulatory sandboxes provides a good model for consideration. In addition, the authorities should consider the kinds of technologies that the HCMC IFC would need to succeed, the level of investment and the relevant partnerships that are essential to ensure such technologies are available.
- Finally, some thought could be given to the pros and cons of introducing trading in cryptocurrencies, including whether HCMC IFC could encourage cryptocurrency mining and blockchain technology within industry.

Human capital and talent development

Financial centres can bring significant talent development and management challenges for financial services organisations as well as associated supporting industries. A large and deep talent pool to deliver professional and quality services is fundamental to developing and maintaining IFC competitiveness. In the UK alone, the financial and related professional services industry employs more than 2.5 million people right across the country, representing 12% of GDP. In Singapore, the industry employs 209,200 people and represents 14.6% of GDP respectively[7]. By April 2023, Viet Nam will become 15th largest population in the world, yet its financial services sector currently employs only 484,600 people and represents 4.7% of GDP[8].

IFCs take different approaches to talent development. There is typically a strong openness to international professionals who can move freely in and out of the country (the UK for example). Developing and retaining domestic talent is also a key area of focus. To deliver on its goal of becoming a high-income country by 2045, Viet Nam needs to focus on developing its domestic talent and align its education with international best practice, including through bilateral initiatives (e.g., the MoU between the Association of Certified Chartered Accountants (ACCA) and HCMC University of Banking, signed in March 2023, and other similar MoUs, including with the Ministry of Finance and SBV.

Given Viet Nam's demographic dividend, authorities designing the IFC should prioritise both areas: to skill and upskill domestic talent in a systemic and targeted way so that HCMC IFC can be driven by Viet Nam's workers, and review international work permits to allow top international talent to work in Viet Nam. This could be achieved by either by improving the existing work permit and employment rules and regulations or creating economic free zones in several parts of the country.

Recommendations for developing domestic talent include:

- Attract and develop talent through outreach to schools, universities, and foster partnerships between businesses and universities. Consider how local universities and colleges can partner with IFC authorities and firms to hire graduates and provide relevant training to develop talent at junior level. Shanghai Financial Centre has a wide talent pool with over 300,000 financial professionals, nearly 50% of whom have gained overseas experience either in education or work. In 2009, the Lujiazui Talent Recruitment Initiative was launched to further attract the best talent from China's top universities to join the district's top financial institutions.
- Link talent development and human capital to the Socio-economic Development Plan to increase investment in Viet Nam assets and its domestic capital.
- Consider how the Viet Nam Ministry of Education and Training could work with IFC authorities to develop a future talent pipeline (including English language skills) as well as an enhanced competency framework of the public

[7] https://stats.mom.gov.sg/Pages/EmploymentTimeSeries.aspx 2021 data https://www.singstat.gov.sg/modules/infographics/economy 2021 data
[8] https://www.gso.gov.vn/en/px-web/?pxid=E0239-40&theme=Population%20and%20Employmenthttps://www.gso.gov.vn/en/national-accounts/ 2021 data

sector education at all levels of education to provide access to high-level education to people of all backgrounds. This is a long-term solution that fits well into Viet Nam's economic agenda. However, significant thought should be given to how to align the timelines of IFC development with education reforms.

- Upskill the existing workforce by investing in training and development and hands-on skills progression, updating degree programmes (especially in science, technology, engineering and mathematics (STEM)), establishing tailored training to target skills shortages, introducing incentives to train in areas with expertise shortages, upgrading digital education, and facilitating knowledge transfer through international partnerships with relevant skills development organisations such as ACCA, British University Viet Nam (BUV), Institute of Chartered Accountants in England and Wales, (ICAEW), etc.
- Support and expand an integrated programme between a UK/International professional qualification and Viet Nam's higher education's syllabus, which was implemented from 2016 by ICAEW with several top universities in Viet Nam (including National Economics University (NEU), University of Economics HCMC (UEH) and University of Economics and Law (UEL), etc.) in order to increase the practical knowledge and skills of graduates in following international standards.
- Develop an integrated approach to talent identification and development that provides a complete view of the financial sector.
- Reskill talent through continuing professional development and developing partnerships with international professional institutes and professional development providers.
- Provide suggestions on how Viet Nam's education system can be tailored to supply the right skillsets that match demand of the financial and related professional services industry. A dynamic response to the market needs education and a vocational training system will maintain country's competitiveness in the long term, with students developing other skills such as critical thinking, problem solving, change management and analytical abilities. An agile, flexible workforce is essential to respond to constantly changing business needs as the HCMC IFC develops.
- Should English law be adopted within HCMC IFC, the authorities should consider how the country can best train and upskill existing lawyers, potential new lawyers, and industry practitioners in English law.
- Recognise Viet Nam's considerable efforts to engage with international educational institutions (ACCA, LIFB, ICAEW, BUV that offer UK qualifications) and suggest ways in which authorities can build on these initiatives.
- Consider the potential for the British Council and other organisations to assist in skills development in Viet Nam, including through English language and business English language courses and relevant professional skills development training.
- Consider collaborating with Centres of Excellence (i.e., the RMIT Centre of Digital Excellence) to develop the knowledge and skills of new and existing professionals in relevant fields.

In addition, to attract talent, the HCMC IFC should consider implementing attractive, open, straightforward, and speedy visa and residency regimes that will increase Viet Nam's access to a range of talented employees. As many financial centres are experiencing shortages in financial and related professional services expertise, an efficient and accessible business and residency visa system is critical to the existence of an open immigration regime. This would allow the HCMC IFC's domestic and expatriate employees to travel freely. DIFC has been successful at developing, attracting, and retaining talent, including by promoting an environment with a high quality of life. It has made it easier for foreign workers to live and work in Dubai and introduced new visa categories for skilled workers. DIFC has a very liberal visa regime, allowing members to apply for as many work permits as necessary for a 10-year period. This has allowed DIFC to significantly grow its workforce and talent pool – making it the largest and most diverse pool of industry talent in the region – while developing their own leading hub for talent. As a result, DIFC was ranked among the top 25 countries in the 2022 Global Talent Competitiveness Index Report, ahead of its peers in the region. Abu Dhabi has recently extended its visa regime to follow DIFC model as well as offer incentives and attractive ecosystem to international talent, while developing domestic talent by collaborating with schools and universities. Hong Kong introduced various admission schemes for talent, professional, and entrepreneurs, offering extended visas to skilled foreign employees, increasing talent flow into its economy. Other IFCs focus on building their own domestic talent while also having an open visa regime to attract international talent, as well as partnering with other financial centres to learn from each other. It will be vital to discuss this aspect with the relevant government authorities to determine their policy towards issuing work and residence permits for international employees and their families.

Moreover, to assist in the development of a strong financial ecosystem, HCMC IFC needs to consider creating an attractive offer for a range of a highly skilled domestic and international financial and related professional services professionals and their families to base themselves in the new centre and help develop its infrastructure and business environment. To retain and attract talent, networks that support local workforces and provide attractive working environments should be developed. Domestic and international professionals should be able to benefit from proximity to good schools and education facilities, reliable healthcare, high-quality transport infrastructure and links (including efficient and speedy airport infrastructure), ICT infrastructure and cultural activities. Abu Dhabi has positioned itself as an attractive destination for families, while UK and Singapore appeal more to younger workers.

Conclusions and next steps

The Government of Viet Nam has embarked on an ambitious programme of economic reforms to meet its high-income country goal by 2045 and net-zero carbon emission agenda by 2050. A range of positive efforts have been made by the government and other stakeholders to meet these goals, including a commitment to creating a strong financial and related professional services ecosystem.

Such an ecosystem will enable Viet Nam to further leverage its key role in global value chains and to capture the advantages of global trends, including digitalisation. Developing the HCMC IFC could form a critical pillar of the next stage of Viet Nam's economic reform programme. There are many different models of financial centres, but one aim they all share is to provide the right regulatory and business environment to attract regional and international investment and to accelerate the development of domestic financial markets and the economy as a whole.

The Government and steering committees at the national and regional level should also explore whether an 'all in one go' or a step-by-step organic growth approach is more suitable for the establishment of the HCMC IFC. While no IFC is identical, each centre benefits from particular strengths which stem from its history or geography. Therefore, when deciding on the most suitable path for the HCMC IFC, the Government of Viet Nam should consider its strengths and relative merits, and how to develop its own USP. Factors such as Viet Nam's standing as a trading centre and role in global value chains, its geographical position and location within the ASEAN region, access to commodities and other agricultural products, as well as its long coastline well-suited for offshore wind projects will inform the type of IFC model for HCMC and Viet Nam.

It will be important to set clear strategic objectives for the HCMC IFC which align with the national agenda and to identify the key financial activities based on Viet Nam's USP that will be promoted in HCMC IFC. These strategic objectives could be accompanied by more granular objectives and policies that can be achieved in the short and medium term. It would be useful to establish a system of five-year plans which are regularly reviewed and reset if needed to take into account any developments. The strategic objectives could include a commitment over time to move towards the features of the independent model set out above.

Establishing the HCMC IFC – first by modifying and upgrading the existing regulatory and legislative framework before considering in future a shift towards the establishment of a distinct and separate jurisdiction – can help the country develop its financial market and offerings. This will enable it to service international investors domestically, create stronger capital markets benefiting Vietnamese businesses, and deepen its integration into the international financial system. At the same time, the IFC can also create the impetus for improving infrastructure, developing the skills of the local labour force, and developing as a hub for FinTech and digital services.

This report is intended to cover key aspects and potential best practice for the development of the HCMC IFC. It is not a comprehensive guide. The recommendations in this report have drawn on the various consultations held with key Vietnamese and UK stakeholders, as well as the input of the UK-Viet Nam HCMC IFC working group and should provide a basis for discussions on the HCMC IFC and its role in the broader Vietnamese economy. Further research and consultations are required to identify the relative merits of the HCMC IFC and its USPs to support this initial phase of work. At the same time, there are various short-term priorities that the Vietnamese authorities can already implement. These incremental changes are relatively easy to implement, but should have high impact, and will help to better position the HCMC IFC in case a shift to an independent IFC model is desired in future. These include:

- Formally including and elevating the development of HCMC IFC in the national agenda. By highlighting its role in the Vision to 2045 and net-zero by 2050 efforts, this will help ensure that sufficient resources and political will are behind this important initiative and gain support at the ground level.
- Establishing an international dispute resolution mechanism, such as an international arbitration centre or entering into collaboration agreements with the London Court of International Arbitration to set up a branch in HCMC.
- Easing the visa regime for the international professional workforce, in particular in the financial sector. The influx of international expertise will benefit the Vietnamese economy and also help develop its local talent.
- Establishing and implementing a National FinTech Strategy.
- Developing a strategy for green and sustainable finance that has HCMC IFC's capabilities at its core. Consider how HCMC IFC can facilitate the JETP initiative.
- Adopting IFRS accounting standards.
- Allowing businesses to hold FX accounts.

Developing HCMC IFC will bring many challenges and requires government departments, regulators, and businesses to work closely around a common vision of country's future and for the HCMC IFC. However, the 2045 aspirations provide a framework for this initiative, including the establishment of two steering committees. TheCityUK is committed to supporting Viet Nam in this endeavour and values the opportunity to contribute to the development of the HCMC IFC.

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Acronyms

ACCA	Association of Chartered Certified Accountants
ADGM	Abu Dhabi International Financial Centre
AIFC	Astana International Financial Centre
AML	Anti-Money Laundering
ASEAN	Association of Southeast Asian Nations
BCAC	British Corporate Advocacy Council
BUV	British University Viet Nam
CPTPP	Comprehensive and Progressive Agreement for the Trans-Pacific Partnership
DIFC	Dubai International Financial Centre
DTA	Double Taxation Agreement
ERO	Ho Chi Minh City External Relations Office
FCDO	Foreign and Commonwealth Development Office
FDI	Foreign Direct Investment
FinTech	Financial Services Technology
FFZ	Financial Free Zone
FRPS	Financial and Related Professional Services
FTA	Free Trade Agreement
FX	Foreign Exchange
GDP	Gross Domestic Product
GFCI	Global Financial Centres Index
HCMC	Ho Chi Minh City
HCMC IFC	Ho Chi Minh City International Financial and Business Centre
HUB	Ho Chi Minh City University of Banking
HFIC	Ho Chi Minh City Finance and Investment State-Owned Company
HNX	Hanoi Stock Exchange
HOSE	Ho Chi Minth City Stock Exchange
IAC	International Arbitration Centre
ICAEW	Institute of Chartered Accountants in England and Wales
ICT	Information Communications and Technology
IFC	International Financial Centre
IFRS	International Financial Reporting Standards
InsurTech	Insurance Technology
ISSB	International Sustainability Standards Board
JETP	Just Energy Transition Partnership
KYC	Know your Customer
LIBF	The London Institute of Banking and Finance
LSEG	London Stoch Exchange Group
MPI	Ministry of Planning and Investment
MoF	Ministry of Finance
NEU	National Economics University
PoS	Point of Sale
P2P	Peer to Peer Learning
QFC	Qatar Financial Centre
RFC	Regional Financial Centre
RCEP	Regional Comprehensive Economic Partnership
SBV	State Bank of Viet Nam
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SPV	Special Purpose Vehicle
SSC	State Securities Commission of Viet Nam
STEM	Science, technology, engineering, and mathematics
UAE	United Arab Emirates
UEH	University of Economics HCMC ()
UEL	University of Economics and Law
UK	United Kingdom
US	United States of America

TheCityUK Research:

For content enquiries, further information on this report, please contact:

Anna Rogers, Head, International Development
anna.rogers@thecityuk.com
+44 (0)20 3696 0121

British Consulate-General | 25 Le Duan, District 1, Ho Chi Minh City, Viet Nam
Tel: +84 903 056 988

UK Government

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TheCityUK

TheCityUK, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8BF

www.thecityuk.com