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Highlight

Vietnam Central Bank Drops Plan to Cap Foreign Ownership in E-Payment Companies

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Vietnam banks more open for EU investors under newly-approved trade pact

Investors from the EU will have opportunities to own higher stakes in Vietnamese banks than those from other countries under Việt Nam's commitments in the EU-Việt Nam Free Trade Agreement (EVFTA).

Under the EVFTA signed this week by the European Parliament, Việt Nam and the EU have committed to facilitate the investment environment for businesses of the two sides, in which the first will allow the latter's investors to enjoy an exception – **holding up to 49 per cent charter capital at two Vietnamese banks**. According to Việt Nam's existing legal regulations, the maximum rate of foreign ownership in a commercial bank is capped at only 30 per cent.

The offer will apply only to joint stock banks, excluding BIDV, Vietinbank, Vietcombank and Agribank in which the State still holds the controlling stakes. The offer will be valid for five years after the pact takes effect. After the five-year deadline, the offer expires, and any proposals will be rejected.

The implementation must also comply with all of Việt Nam's current regulations on procedures for mergers and acquisitions as well as safe and competitive conditions, including limits on the shareholding ratio applicable to each individual and institutional investor on the basis of national treatment. Currently, the stake owned by an individual foreign investor in a Vietnamese bank is capped at 5 per cent and the maximum rate for a foreign institutional investor is 15 per cent.

Experts believed European investors would eye banks which have some good criteria, such as clearing bad debts, focusing on core credit activities and meeting the State Bank of Việt Nam's standards. In the list of top ten joint stock banks released last year, Techcombank, VPBank, and ACB took the leading positions, followed by TPBank, SHB, HDBank, Sacombank, VIB, MSB and SCB.

Foreign investors have shown interest in the Vietnamese banking and financial market in recent years, given the country's population of nearly 100 million with only 30 per cent of them having access to banking services. Banking expert Nguyễn Trí Hiếu told Việt Nam News that while it was hard for investors to own wholly foreign owned banks in Việt Nam, especially after the Government stopped issuing new licences for the establishment of wholly-owned foreign banks in the country, the best option for foreign investors to enter the Vietnamese market now was through mergers and acquisitions (M&A) with local banks and financial firms.

"In the current context, the most common way for foreign investors to enter the Vietnamese financial market is to acquire stakes in local banks or buy financial companies instead of establishing new ones," Hiếu said, adding M&A would also help reduce many legal and procedural difficulties for foreign investors. “Therefore, instead of paying a huge amount and spending a lot of time establishing a new company, M&A with local partners has more advantages, especially when local banks are also expecting to raise capital from foreign shareholders to meet the central bank’s stricter capital requirements due to the underdevelopment of the domestic capital market,” Hiếu explained. /.VNS

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Vietnam Central Bank Drops Plan to Cap Foreign Ownership in E-Payment Companies

The State Bank of Vietnam (SBV) has scrapped its initial plan to limit foreign ownership of locally registered e-payment companies to 49% after consulting with experts and industry participants, according to a VN Express report.

In a note released earlier this month, the SBV said it will not submit the proposal to the government in June after hearing feedbacks from fintech players. The central bank said that foreign investment has played a key role in the domestic payments landscape since providers heavily rely on technology. Limiting foreign ownership would hamper foreign investment in the e-payment sector and fintech in general, it said.

In some digital payments companies, foreign ownership already exceeds 49%. Hence, a change in regulation could affect their activities. Several of them operate on a large scale, the regulator said. In December 2019, the Vietnam Chambers of Commerce and Industry (VCCI) held a workshop during which legal experts as well as fintech and e-payment firms shared their views on the proposed rule.

Nishikawa Shinichiro, representing Japanese investors and a director at Payoo e-wallet, asked the SBV to reconsider the limit, stating that “foreign investors have made a great contribution not only in terms of investment but also in technology and know-how for the development of e-payments in the country.”

Phung Anh Tuan, deputy general secretary of the Vietnam Association of Financial Investors, noted that payment intermediaries accounted for 90% of local fintech activities and value, and argued that “limiting investment will affect the whole fintech market.” A representative from VNPT Epay SJC, an enterprise funded by 70% of foreign investment, reminded the audience that fintech was still in the early stages of development in Vietnam. The sector was fortunate to attract lots of foreign investments but limiting ownership "could create fear among foreign investors."

Echoing this, Virginia Foote, a representative of the American Chamber of Commerce in Vietnam (AmCham Vietnam) and co-chair of the Vietnam Business Forum (VBF), urged the drafting board to reconsider the proposal, adding that the rule could impact investors' confidence in the country. In November 2019, the central bank released a draft of a foreign ownership cap proposal for consultation. The proposed cap was part of a revised decree to regulate non-cash payment activities in the country.

The proposed rule was intended to balance the ease of attracting foreign capital with ensuring an active role for local firms in the fintech sector, the SBV said. It was also aimed at preventing foreign investors from manipulating the field and ensuring the safety, security, as well as Vietnam's national sovereignty over its financial sector, the regulator said.

Vietnamese fintech companies have attracted considerable interest from foreign investors over the past couple of years. In 2019, companies in the sector raised US$420 million between January and September, or 36% of all fintech funding in Southeast Asia during that period, according to a report by UOB, PwC, and the Singapore Fintech Association. The figure made Vietnam second amongst ASEAN members in terms of fintech funding behind Singapore (US$714 million or 51%).

Notable deals that took place last year include MoMo's US$100 million Series C funding round from Warburg Pincus, VNPAY's US$300 million funding round from SoftBank and Singapore sovereign wealth fund GIC, and Ant Financial's acquisition of a major stake in Vietnamese e-wallet eMonkey.

To date, the SBV has licensed 32 companies that provide e-payment solutions, including Moca, the digital payments platform integrated into Grab, Zion, the operator of Zalo Pay, and M_Service, the company behind MoMo./.FTN

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E-COMMERCE

Tiki among top brands in all categories in YouGov BrandIndex

Tiki is the only e-commerce platform to be among top brands in all three categories of YouGov in 2019: Top Advocacy, Top Index and Top Recommend.

Top Recommend Rankings

Rank	Brand	Score
1	Vietnam Airlines	90.1%
2	Samsung	86.0%
3	Tiki.vn	84.1%
4	Levi's	83.9%
5	Thế giới di động	83.5%
6	Uniqlo	83.4%
7	Biti's	82.4%
8	Japan Airlines (JAL)	82.3%
9	Điện máy Xanh	81.7%
10	L'Oréal Paris	81.5%

In a release on February 14 the company said it ranks first in Việt Nam's e-commerce market and in the top five in the Top Advocacy Rankings, which honour brands achieving the highest satisfaction rate from customers.

It is in the top 10 in the Top Index Rankings.

The rankings are based on a measurement of the overall brand health calculated by taking the average of impression, quality, value, satisfaction, recommend, and reputation.

According to YouGov, the recommend score asks customers the question "Would you recommend the brand to a friend or colleague?" thus arriving at the proportion of a brand's customers who are willing to recommend it to others.

BrandIndex is an authoritative measure of brand perception.

Unlike any other brand intelligence measurement services, it continuously measures public perception of thousands of brands across dozens of sectors. /.VNS

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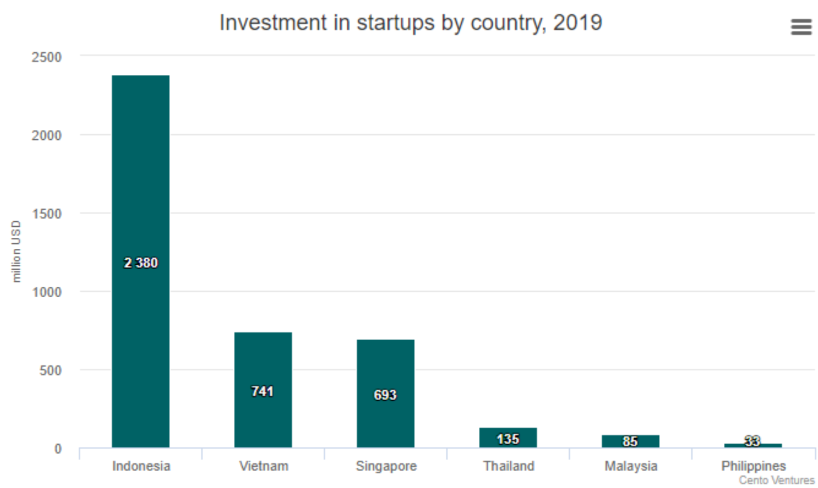
START-UP

Vietnam startup investment beats Singapore

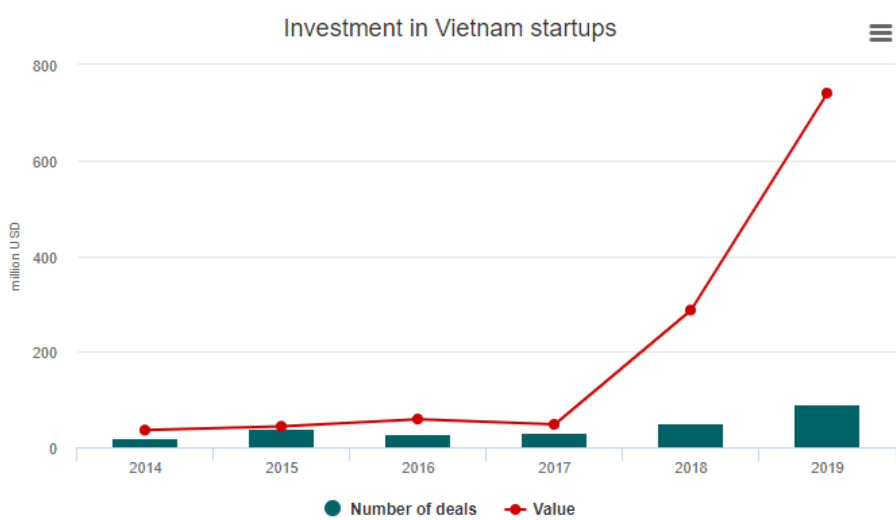
Investment in Vietnamese tech startups last year exceeded that experienced in Singapore for the first time to rank second in Southeast Asia.Total investment in Vietnam reached $741 million, compared to Singapore's $693 million and Thailand's $135 million, according to Singapore-based venture capital firm Cento Ventures.

Indonesia topped the chart in six countries studied at $2.38 billion.



Vietnam's value surged 2.5 times over 2018, with the number of deals nearly doubling from 50 to 90.

Most notable deals include payment app VNPAY raising $300 million from Japan-based Softbank Vision Fund and Singapore-based sovereign wealth fund GIC. Another e-payment app Momo pulled in about $100 million from American private equity company Warburg Pincus.



The country's share of investment value in the region also jumped from 4 percent in 2015 to 18 percent last year, compared to Indonesia's 59 percent, Singapore's 17 percent and Thailand's 3 percent. Cento Ventures data shows Vietnam has one company, gaming firm VNG Corporation, valued above $1 billion, and at least 13 startups over $100 million including e-commerce player Tiki, e-wallet Momo and ride-hailing Be. The Vietnamese government in recent years has encouraged entrepreneurship and wants the private sector to drive economic growth. The number of newly established businesses in the country hit a new record at 138,100 last year, up 5.2 percent year-on-year, according to General Statistics Office.

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Two new ride-hailing apps prepare Vietnam launch

Local startups Unicar and ZuumViet are preparing to launch ride-hailing apps alongside delivery and other logistics. Unicar, a start-up based in Vietnam's central Nghe An province, is currently testing out its services in the province's capital, Vinh Town. Services on the Unicar app includes Uni Car (car ride-hailing), Uni Bike (motorbike ride-hailing), Uni Fast (express delivery service), Uni Truck (logistics service) and Uni Rent (self-drive car rental).

The company says it plans to expand its services to central towns of Hue and Nha Trang, two major tourist hotspots in Vietnam, in the near future. ZuumViet, another startup, has been posting driver recruiting advertisements for its ride-hailing app since early December, offering financial incentives such as reduced royalty collection for its first 3,000 drivers. ZuumViet's services will include ZuumBike (motorbikes), ZuumCar (4-seater and 7-seater cars) and ZuumLux (luxury cars like Audi, BMW), according to the company's website. The company has yet to publicise a launch date.To compete with domestic firms, Singapore-based ride-hailing giant Grab, which dominates the market now, has also recently introduced an "Advance Booking" service in Hanoi, which allows Grab customers to book rides at least seven days in advance.

The company said it will test out the service in Hanoi this month, before rolling it out to other provinces and localities. According to latest figures by global market advisory firm ABI Research, Grab led the Vietnamese market in the first half of 2019, accounting for 73 percent of market share in terms of ride-hailing trips. Local app Be held second position, with 16 percent, followed Indonesia's Go-Viet with 10.3 percent. Vietnam's ride-hailing market was the fourth largest in Southeast Asia last year behind Indonesia, Singapore and Thailand, according to a report by Google, Singaporean state-owned holding company Temasek and U.S. management consultancy Bain.

ABI Research estimated the market's worth was $1.1 billion last year and said it could rise to $4 billion by 2025.

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RETAIL

Trade centre with high-class Japanese goods opens in HCM City

A trade centre displaying domestically-produced, high-quality Japanese goods, opened its doors in HCM City's District 1 in 14 Feb 2020 . Up to 90 per cent of goods on sale at the centre – the first of its kind in the country – are produced in Japan. The centre, named Akuruhi Tower, has total investment capital of US$20 million.

Financed by Vi Biển-Akuruhi Trading and Service Company, the 14-story building comprises a restaurant complex, a supermarket, a clothing showroom and an entertainment area. The centre is expected to offer the most high-grade experiences to customers, from entertainment and catering services to shopping activities, the company said.

It added that vegetables, fruits and seafood on the shelves are purchased at wholesale markets in Japan and transported to Việt Nam by air to ensure their quality. The Vietnamese market has seen an increasing amount of Japanese goods winning locals' predilection.

Experts said Vietnamese consumers are ready to spend big on safe and high-quality food, products Japan has strength in. The revenue of safe vegetables sold at Japanese supermarkets in Việt Nam has surged by more than 200 per cent annually in recent years, and it is predicted to keep growing sharply.

According to the Asia-Africa Market Department of the Ministry of Industry and Trade (MoIT), Japanese products have gained the trust of global consumers, including Vietnamese, because they prioritise human health. Most people feel secure about product quality when they see the words "made in Japan".

Some analysts also partly attributed the growing presence of Japanese products to thriving economic ties between the two countries. Last year, two-way trade reached $39.9 billion, up 6 per cent year-on-year with $20.4 billion from Vietnamese exports, up 8.4 per cent, statistics from the MoIT showed./.VNS

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LOGISTICS

Logistics sector sees positive shift

Deputy Minister of Industry and Trade Tran Quoc Khanh cited the data released by the Ministry of Transport as saying that in the first nine months of 2019, six major transport projects were completed and put into use. Notably, the nearly 60km Ha Long-Van Don expressway section connected with the Haiphong - Hanoi expressway was officially inaugurated and put into service in February 2019, shortening the travel time from Hanoi to Van Don island district, Quang Ninh province to 2.5 hours from 4 hours.

Many other major transport projects were put into operation last year while the rural transport system was upgraded considerably. This bolstered more effective connections between these transport items and logistics services, hence leading to major changes of the logistics industry and its quality services.

As noted, rail transport also made great improvements as a string of railway upgrade projects and freshly-invested ones were completed during the year, eventually increasing the quality of railway infrastructure as well as rail safety.

A high-speed container train route was put into use in 2019, which connects Yen Vien station (Hanoi) to Song Than station (southern Binh Duong province) with 50 train trips per week and the travel time of 40 hours. This train route helped to better meet cargo transport needs.

Deputy Minister Tran Quoc Khanh quoted statistics of the Vietnam Logistics Business Association as saying that the logistics industry has reached annual growth of 14-16% in the past few years with its annual revenues reaching from US$40-42 billion. In 2019, the transport services, warehousing, forwarding and other related services all experienced positive growth.

However, he noted the logistics industry has yet to fully exploit logistics-related potential of localities while logistics firms were encouraged to tap into localities' transport infrastructure to create favorable connections for their services./.VOV

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Vietnam' s logistics wins in US-China trade war

Falling one place to 11th in the global index of emerging logistics markets, Việt Nam was still seen as a clear winner in the US-China trade war.

According to the recently released 2020 Agility Emerging Markets Logistics Index, with an overall score of 5.52 out of 10, Việt Nam fell behind several Southeast Asian peers, including Indonesia (4th), Malaysia (5th) and Thailand (9th).

As the world's leading logistics company, Agility, ranked 50 countries by factors that make them attractive to logistics providers, freight forwarders, shipping lines, air cargo carriers and distributors. The three factors considered in the ranking were: domestic logistics opportunities, international logistics opportunities and business fundamentals.

At the same time, China remains the world's leading emerging logistics market, followed by India and UAE. Slipping one place, the report stated that Việt Nam performed well in international opportunities, ranking fourth globally, while it stood 21st in domestic logistics opportunities and 20th in business fundamentals, which includes regulatory environment, credit and debt dynamics, contract enforcement, anti-corruption safeguards, price stability and market access.

The report said: "Việt Nam and Indonesia also saw their international logistics opportunities scores improve, with gains made via a combination of volumes won as manufacturers switched production locations from China, as well as moderate increases in domestic demand. Despite leading its Southeast Asian peers in the business fundamentals sub-index, Malaysia followed Việt Nam, Indonesia and Thailand in international logistics opportunities.

Malaysia saw sea freight exports to the US rise 24 per cent in the first eight months of 2019 as a result of the trade war, but its wider sea freight market remains small by comparison with its neighbours which each have a sea freight market around three times larger. The group of six markets identified by survey respondents as having the most potential as future logistics markets was unchanged in 2020, with India and China maintaining a marked lead and Việt Nam still third thanks to its improved infrastructure and domestic market in recent years, in addition to the export growth it has seen as trade shifts from China.

Though fewer survey respondents this year suggested Southeast Asia as a region would benefit from the US-China trade war, most of them thought the benefit was narrowing to a few markets, adding that Việt Nam – both in terms of survey sentiment and trade data – emerged as a clear winner. If businesses are going to relocate from China, Việt Nam and India are the most likely investment destinations, according to 48 per cent of those surveyed. Mexico and Cambodia were the lowest rated relocation options amongst survey respondents.

The report also said: "While growth in some regional markets remains robust – including key export markets like Việt Nam as well as in more nascent manufacturing locations such as Cambodia – export growth has slowed."

According to the Việt Nam Logistics Business Association's latest survey, there are around 30,000 logistics companies in the country, including 4,000 international ones. The industry has been growing at 12-14 per cent annually and is now worth $40-42 billion./. VNS

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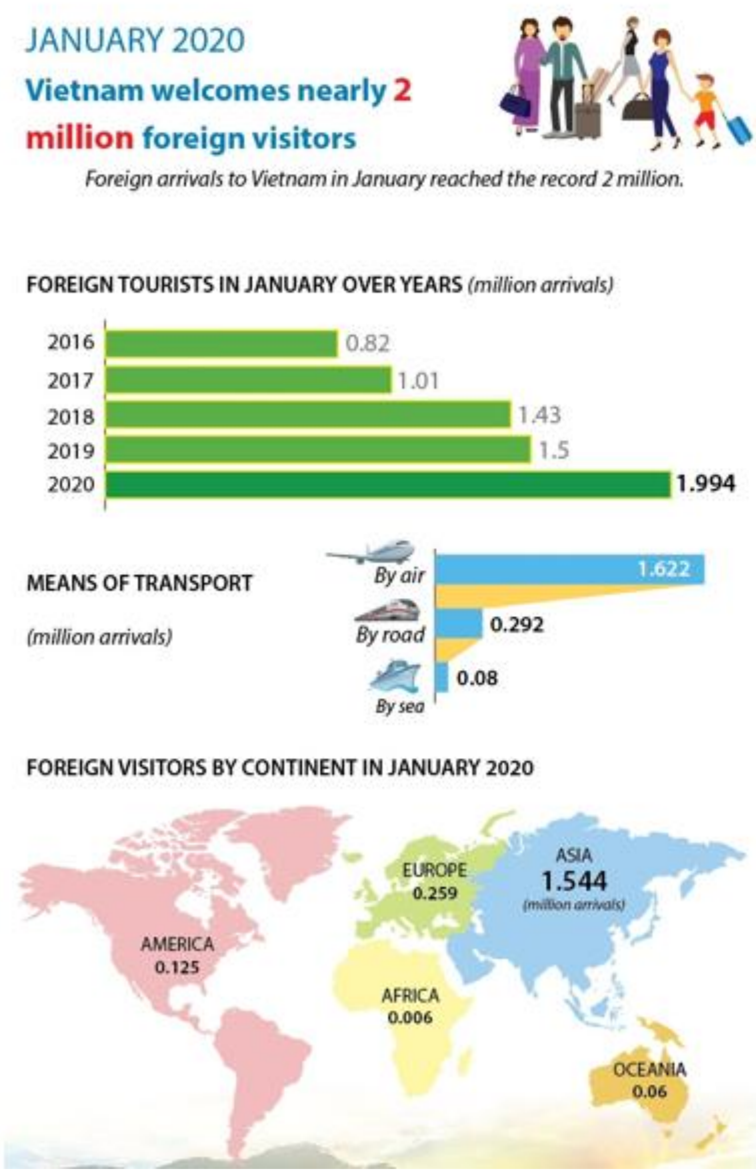
INVESTMENT

Vietnam welcomes nearly 2 million foreign visitors in January 2020



Source: VNA

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Education draws foreign investment

As of 2019, Vietnam counted five foreign invested universities, 68 private schools and 170 public ones.The country had more than 500 programmes linked with top universities in the world.

The foreign direct investment (FDI) in education from August to October 2019 reached 97 million USD. Merger and acquisition (M&A) activities, especially stock purchasing, in the field, made up 37 percent of the total FDI in the period. Troy Griffiths, Deputy Managing Director at Savills Vietnam, said these figures showed that overseas investors are interested in cooperation strategies in education investment.

The attraction of foreign investment in Vietnam's education will continue to increase in the coming time, he added. Last year, eight Vietnamese higher education institutions were named among Asia's top 550 universities by Quacquarelli Symonds (QS), a British education company. The Vietnam National University, Ho Chi Minh City topped Vietnamese institutions, ranking 143rd on the QS Asia University Rankings 2020. VNU-HCM is a public university and one of the largest higher education institutions in Vietnam with eight member colleges and 25 affiliated units.

Meanwhile, the Vietnam National University, Hanoi came next at 147th, followed by Ton Duc Thang University, Hanoi University of Science and Technology, Can Tho University, Duy Tan University, Hue University and University of Da Nang./. VNA

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