



News release

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Central Bank Digital Currencies (CBDC): What can Vietnam learn from others in Asia?

September 20, 2021 — Prompted by technological advances and the popularity of contactless payment, CBDC - a country's official currency in digital form - is the next big game changer in the world of banking and payments. CBDC will allow more secured and efficient transactions at a lower cost, either domestically or cross-border. While CBDC is a relatively new concept, central banks around the world have shown interest in this topic and are considering its use.

PwC Vietnam recently launched: “**Central Bank Digital Currencies (CBDC) Index Report - Focus: Asia region**” which looks at different CBDC projects in the region in addition to highlighting three global trends. This report is an extract from PwC's first Central Bank Digital Currencies (CBDC) Index report published in April 2021. The Index is designed to measure central banks' level of maturity in deploying their own digital currency in two distinct use cases – retail and interbank/wholesale. Retail CBDC is held directly by citizens and corporations while interbank/wholesale CBDC is restricted to financial institutions.

According to the said report, the first trend is that CBDC projects are gaining traction. Globally, more than 60 central banks have headed toward CBDC since 2014. In Asia, Cambodia, Thailand, Mainland China, Korea, Japan, etc. are among the countries that have joined the race. In addition, the progress will continue to accelerate with some projects gaining momentum in both retail and wholesale fronts. Lastly, with over 88% of CBDC projects at pilot or production phase, it is not surprising that blockchain is the technology of choice. The benefits cited for blockchain include security, transparency and programmability.

The Index highlights that Retail CBDC projects are more advanced in emerging economies, where financial inclusion and digitisation appear as key drivers. The top three projects in Asia belong to Cambodia, Mainland China and Korea. The Bakong project in Cambodia is ranked 1st in Asia and 2nd in the world behind the Bahamas. It is one of two Retail CBDC projects that have gone live. In August 2021, the Bakong project went a step further with the announcement of its Cambodia-Malaysia cross border transactions. It is worth noting that while no date has been given for mass adoption, both Mainland China and Korea have also started their respective retail CBDC pilot programmes.



According to the report, advanced Wholesale CBDC projects have shorter research but longer pilot stages as compared to its retail counterpart. To date, no wholesale CBDC projects have reached maturity yet. However, nearly 70% of wholesale projects are already running pilots with many advanced initiatives. They focus on cross-border projects which allow central banks to test international connectivity and project interoperability. In Asia, notable wholesale projects are Inthanon-LionRock (Hong Kong SAR-Thailand), Ubin (Singapore) and Stella (Japan).

Vo Tan Long, Chief Digital Officer of PwC Vietnam, commented: “Across Asia, these CBDC success stories as well as the development of virtual or digital banking licenses serve as fundamental stepping stones to advancing financial inclusion. Our government has already initiated the introduction of a national financial inclusion strategy by 2025 with an orientation towards 2030 under [Decision No.149/QĐ-TTg](#). As to when CBDC becomes a reality in Vietnam will depend on the legal framework and policies that support the issuance and the distribution of regulated digital currency and address security risk concerns. This is a clear call for regulators and financial institutions to come together for a harmonised approach.”

Vietnam to join the global peers to develop our own digital currency?

According to multiple local news agencies, the government recently tasked the State Bank of Vietnam (SBV) to research the pilot use of 'virtual money' based on blockchain technology in the next three years. Given Vietnam has been promoting [electronic payments since 2008](#), this announcement highlights that CBDC can further accelerate the cashless payment ecosystem. This is also in line with the government's development strategy towards a digital government as reflected under Decision 942/QĐ-TTg issued on 15 June 2021.

Commenting on this, Dinh Hong Hanh, Financial Services Leader at PwC Vietnam said “Our Vietnamese people will be one of the biggest beneficiaries of CBDCs as it will give them access for the first time to a digital form of central bank money. Decision 942/QĐ-TTg is welcomed as it puts Vietnam on the same playing field with other technologically advanced countries. It also highlights our government's commitment towards building a cashless society and a digital economy.”

While Vietnamese law does not recognise cryptocurrencies as a legal means of payment, it is timely that there are various government initiatives underway to explore the inevitable trend of digital money. For example, SBV, the Ministry of Justice and the Ministry of Finance are jointly studying the legal basis for managing virtual currency and virtual assets. These efforts show the government's openness towards establishing a new type of currency despite previous reservations. Although there is no official timeline for the 'virtual money' pilot programme, it is interesting to see how our local policymakers will take this initiative forward.

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Notes to Editor

About the report

The report '[Central Bank Digital Currencies \(CBDC\) index report - Focus: Asia region](#)' was extracted from the inaugural edition of the [PwC Global CBDC Index](#). It provides a synthetic index, capturing the progress of central banks' in the Asia region, stance on CBDC development and public interest in two distinct use cases: Retail CBDC and Interbank, or Wholesale CBDC.

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