

Vietnam Added to Financial Action Task Force Grey List

[Reading time: 4 minutes]

The global watchdog of anti-money laundering, Financial Action Task Force (“FATF”) held the second of its three annual Plenary sessions between 21 and 23 June 2023. During the Plenary, the FATF announced it had updated its list of jurisdictions under increased monitoring (aka “the Grey List”) to include Vietnam along with Cameroon and Croatia.

The Grey List

One of the functions of the FATF and the regional FATF-style bodies is to conduct on-site mutual evaluations to test a jurisdiction’s compliance with the 40 Recommendations, a list of measures agreed upon by the members of FATF which constitute a solid AML/CFT programme. There are an additional 11 so-called “immediate outcomes” which measure the effectiveness of the jurisdictions overall approach to money laundering (“ML”), terrorism financing (“TF”), and proliferation financing (“PF”).

Since the adoption of its Mutual Evaluation Report (“MER”) in November 2021, Vietnam has already made progress on some of the MER’s recommended actions to improve its AML/CFT regime and to counter PF.

When the FATF places a jurisdiction on the Grey List, it means that, during the course of a mutual evaluation, a number of serious issues have been identified in respect of that jurisdiction’s compliance with the FATF 40 recommendations and the 11 immediate outcomes. The FATF then works with that jurisdiction on a mutually agreed Action Plan to swiftly solve the strategic deficiencies identified within an agreed timeframe. This timeframe will often include certain milestones to measure progress.

Vietnam’s Action Plan

Vietnam has therefore committed to cooperate more with domestic and international parties in fighting money laundering and terrorism financing, closely monitor financial institutions (“FIs”) and designated non-financial business and professions (“DNFBPs”) such as real estate agents and dealers in precious metals and stones, as well as regulate virtual assets and virtual asset service providers.

Vietnam has agreed to engage more with the private sector and put in place a system that facilitates the verification of beneficial ownership. The country will also make efforts to ensure its authority investigating financial crimes is working independently and delivering quality work.

In addition, Vietnam will work to prove its capability in preventing FIs and DNFBPs from building business relationships with individuals and entities who are sanctioned for being involved in transferring weapons of mass destruction.

Vietnam’s financial services are currently regulated by the State Bank of Vietnam and the Ministry of Finance via the State Securities Commission. The measures which need to be undertaken to reflect an

inexperienced supervisory system and an overall lack of public awareness of ML and the need to combat it. It is likely that in the coming months we shall see a dramatic overhaul of the regulatory system in Vietnam, along with new guidelines for regulatory players, and a committed stance on the virtual assets industry.

Tips for Licensed Corporations

As with all jurisdictions listed on the Grey List, the FATF makes it clear that enhanced due diligence is not a mandatory requirement when conducting business with entities and individuals from jurisdictions on the list. Licensed corporations and their managed funds should, however, use the knowledge of the measures those jurisdictions must enact in order to guide their decisions on the levels of due diligence required. For instance, when transacting with Vietnamese financial intermediaries, gaining a better understanding of their AML policies would be a prudent measure because the supervisory regime is still to impose sufficient requirements. Similarly, authorised institutions may not accept AML comfort letters from Vietnamese intermediaries.

When onboarding clients/investors who hold a Vietnamese passport, reside in Vietnam, or is a company domiciled in Vietnam or ultimately owned by a Vietnamese citizen, licensed corporations should consider what risks that would expose the company to, and always take into account the results of sanctions screening and adverse media checks. For those who are already onboarded, closer monitoring of transaction activities and more frequent account reviews would be some of the most effective mitigation measures licensed corporations can take.

FATF Grey List measures can often take some time to remediate, sometimes years, so we can expect Vietnam to remain on the list for the foreseeable future.

Here is the official FATF action plan for Vietnam:

(1) Increasing risk understanding, domestic co-ordination and co-operation to combat ML/TF; (2) Enhancing international co-operation; (3) Implementing effective risk-based supervision for FIs and DNFBPs; (4) Taking action to regulate virtual assets and virtual asset service providers; (5) Addressing technical compliance deficiencies, including with respect to the ML offence, targeted financial sanctions, customer due diligence and suspicious transaction reporting; (6) Conducting outreach activities with the private sector; (7) Establishing a regime that provides competent authorities with adequate, accurate and up-to-date information on beneficial ownership; (8) Ensuring the independence of the FIU and enhancing the quality and quantity of financial intelligence analysis and disseminations; (9) Prioritizing parallel financial investigations and demonstrating an increase in the number of ML investigations and prosecutions undertaken; (10) demonstrating that there is monitoring of FIs and DNFBPs for compliance with PF Targeted Financial Sanctions (“TFS”) obligations and that there is co-operation and co-ordination between authorities to prevent PF TFS from being evaded.

Should you wish to discuss this please contact Justin Fletcher, Hardy Hussain or Philippa Allen.

Our Services

ComplianceAsia provides a wide variety of services to intermediaries in relation to anti money laundering and countering the finance of terror. This includes dealing with rule sets throughout the Asian region and in the world's major financial centers. We provide policies and procedures, conduct risk assessments, audits, and due diligence, and have a suite of training options in English, Chinese, and Japanese available for firms and individuals impacted by these rules. Our staff have decades of experience dealing with the evolving nature of global anti-money laundering rules.

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