

Monetary and Currency Business Law in Vietnam: Legal Framework, Regulatory Practice, and Reform Challenges

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ABSTRACT: Monetary and currency business law plays a critical role in maintaining macroeconomic stability, regulating financial markets, and safeguarding national monetary sovereignty. In Vietnam, the legal framework governing monetary and currency-related business activities reflects the country's gradual transition from a centrally planned economy to a socialist-oriented market economy. This article provides a comprehensive analysis of Vietnam's monetary and currency business law, focusing on its legal foundations, institutional arrangements, regulatory instruments, and emerging challenges in the context of international integration and digital transformation. Using a doctrinal legal research methodology combined with policy analysis, the paper critically examines the effectiveness of existing regulations and identifies key limitations. It argues that while Vietnam's current legal framework has contributed significantly to financial stability, further reforms are required to enhance regulatory transparency, institutional autonomy, and adaptability to new financial technologies.

KEYWORDS: monetary law, currency business, Vietnam, State Bank of Vietnam, foreign exchange regulation, financial regulation

1. INTRODUCTION

Monetary and currency regulation constitutes one of the core pillars of modern economic governance. Through legal control over money issuance, credit allocation, and foreign exchange activities, states seek to ensure price stability, financial security, and sustainable economic development. In Vietnam, monetary and currency business law holds particular importance due to the country's historical experience with inflation, dollarization, and financial instability during periods of economic transition.

Since the launch of the *Đổi Mới* reforms in 1986, Vietnam has undergone substantial economic restructuring, shifting from a centrally planned system toward a market-oriented economy under socialist principles. This transformation has required a corresponding evolution in monetary governance and legal regulation. While the State continues to play a dominant role in monetary management, market-based mechanisms have increasingly been incorporated into the regulatory framework.

This article aims to examine the legal regime governing monetary and currency business activities in Vietnam, addressing three central research questions. First, what are the legal foundations and institutional structures of monetary authority in Vietnam? Second, how does the law regulate currency issuance, banking activities, and foreign exchange transactions? Third, what challenges does the current legal framework face in the context of globalization and digital financial innovation?

2. THEORETICAL AND CONCEPTUAL FRAMEWORK

2.1. Monetary and Currency Business Law

Monetary and currency business law can be broadly defined as the body of public and private legal norms regulating the creation, circulation, and use of money within an economy. Unlike general commercial law, this field is heavily influenced by public law considerations, particularly state sovereignty, macroeconomic policy, and financial stability (Lastra, 2015).

In Vietnam, monetary law encompasses regulations on currency issuance, banking operations, interest rates, credit allocation, and foreign exchange management. Currency business law, in turn, governs activities involving the trading, exchange, and use of domestic and foreign currencies.

2.2. State Control and Market Orientation

A defining characteristic of Vietnam's monetary legal framework is the coexistence of strong state control and gradual market liberalization. The State Bank of Vietnam (SBV) functions not only as a central bank but also as a powerful regulatory authority overseeing credit institutions and financial markets. This dual role reflects Vietnam's preference for policy coordination and macroeconomic control rather than full central bank independence.

3. LEGAL FOUNDATIONS OF MONETARY AUTHORITY IN VIETNAM

3.1. Constitutional Basis

The constitutional foundation of monetary governance in Vietnam is embedded in the 2013 Constitution of the Socialist Republic of Vietnam, which establishes the fundamental principles guiding state management of the national economy. Although the Constitution does not explicitly articulate detailed provisions on monetary policy or central banking functions, it affirms the State's overarching responsibility to regulate the economy, ensure macroeconomic stability, and safeguard national financial security. These constitutional principles provide the legal and ideological justification for state intervention in monetary and currency-related affairs, reinforcing the view that monetary sovereignty is an integral component of national sovereignty.

From a constitutional law perspective, the absence of explicit provisions on monetary policy does not imply a legal vacuum. Instead, the Constitution adopts a framework-oriented approach, delegating detailed regulatory authority to statutory instruments enacted by the National Assembly. Articles relating to economic management, state ownership, and the role of government agencies collectively legitimize the concentration of monetary authority in a centralized institution. This approach reflects Vietnam's socialist-oriented economic model, in which the State retains a leading role in steering macroeconomic policy while allowing market mechanisms to operate within a legally controlled framework.

Furthermore, the constitutional emphasis on socio-economic development goals underscores the instrumental role of monetary policy as a tool for achieving broader public objectives, such as price stability, economic growth, and social welfare. As a result, monetary governance in Vietnam is constitutionally framed not merely as a technical function but as a policy instrument subject to political accountability. This constitutional orientation has significant implications for the design of monetary institutions, particularly in relation to central bank independence and government oversight.

3.2. The Law on the State Bank of Vietnam

The Law on the State Bank of Vietnam (2010) constitutes the central statutory instrument governing monetary authority and currency management in Vietnam. This law formally defines the State Bank of Vietnam (SBV) as a ministerial-level agency under the Government, thereby situating it within the executive branch rather than as an institutionally independent body. By doing so, the law establishes a legal framework in which monetary policy is closely integrated with the Government's overall economic governance structure.

Under the Law, the SBV is granted exclusive authority over the issuance of banknotes and coins, reinforcing the principle of state monopoly over currency creation. This monopoly serves both legal and economic purposes: it safeguards the integrity of the national currency and enables the State to exercise effective control over money supply. In addition to currency issuance, the SBV is empowered to formulate and implement monetary policy through a range of instruments, including interest rate regulation, reserve requirements, and open market operations. These statutory powers provide the legal basis for the SBV's role in controlling inflation and stabilizing the financial system.

The Law further assigns the SBV comprehensive regulatory and supervisory functions over credit institutions and financial markets. In this capacity, the SBV regulates banking operations, manages foreign exchange and gold trading, and enforces prudential standards aimed at mitigating systemic risk. Notably, the SBV's supervisory role reflects a preventive regulatory philosophy, emphasizing risk management and financial safety rather than post-crisis intervention. However, the concentration of regulatory, supervisory, and policy-making functions within a single institution has also raised concerns regarding regulatory overload and potential conflicts of interest, particularly in the context of increasing financial market complexity.

3.3. Independence and Accountability

A defining feature of Vietnam's monetary legal framework is the limited institutional independence of the State Bank of Vietnam. Unlike central banks in many advanced economies, which enjoy a high degree of legal and operational autonomy, the SBV operates under the direction and supervision of the Government. Major monetary policy decisions are required to align with national socio-economic development strategies approved by the National Assembly and implemented by the Government. This institutional design reflects Vietnam's preference for policy coherence and centralized economic management.

The lack of full independence has both advantages and disadvantages. On the one hand, close coordination between monetary and fiscal policy can enhance policy effectiveness, particularly in a developing economy where macroeconomic stability and growth objectives are closely intertwined. On the other hand, scholars have argued that political influence over monetary policy may undermine the credibility of the central bank, especially in periods of inflationary pressure or financial stress (Nguyen & Vo, 2019). Limited independence may also weaken the SBV's ability to commit credibly to long-term price stability, as short-term political considerations can influence policy decisions.

To address these concerns, the legal framework emphasizes accountability mechanisms rather than independence. The SBV is accountable to the Government and the National Assembly, and its policy actions are subject to reporting and oversight requirements. However, the effectiveness of these mechanisms depends largely on transparency and institutional capacity. From a comparative perspective, Vietnam's model represents a hybrid approach, prioritizing state control and accountability over formal

independence. As the economy becomes more integrated into global financial markets, this model may require recalibration to balance policy coordination with enhanced credibility and regulatory professionalism.

4. REGULATION OF CURRENCY ISSUANCE AND CIRCULATION

4.1. Legal Monopoly over Currency Issuance

Vietnamese law establishes a strict legal monopoly over currency issuance, vesting exclusive authority in the State Bank of Vietnam to issue banknotes and coins denominated in the Vietnamese đồng (VND). This monopoly is a core expression of monetary sovereignty and reflects the State's constitutional mandate to manage the national economy and safeguard financial stability. By designating the VND as the sole legal tender within Vietnamese territory, the legal framework seeks to ensure uniformity in monetary circulation and prevent the fragmentation of the domestic payment system.

From a legal standpoint, the monopoly over currency issuance serves both preventive and stabilizing functions. It enables the State to control money supply, regulate inflation, and maintain public confidence in the national currency. In transitional economies such as Vietnam, where historical experiences of inflation and currency instability have left lasting institutional memory, legal centralization of currency issuance is viewed as a necessary safeguard rather than a restriction on market freedom. Moreover, the monopoly allows monetary policy instruments—such as interest rate adjustments and reserve requirements—to operate effectively, as these tools presuppose state control over base money.

However, the concentration of currency issuance authority also raises normative questions regarding transparency and accountability. While the SBV is legally empowered to issue currency, the criteria guiding issuance decisions are largely embedded in policy discretion rather than clearly codified statutory standards. As Vietnam's financial system becomes more sophisticated, there is increasing scholarly debate about whether greater procedural transparency in currency issuance decisions could enhance monetary credibility without undermining state control.

4.2. Restrictions on Foreign Currency Use

A defining feature of Vietnam's currency regulation regime is the general prohibition on the use of foreign currencies in domestic transactions, subject only to narrowly defined statutory exceptions. Under Vietnamese law, residents and enterprises are required to conduct transactions within the national territory using the Vietnamese đồng, unless expressly permitted otherwise by the State Bank of Vietnam. This legal restriction is a central component of Vietnam's long-standing policy to combat dollarization and reinforce confidence in the national currency.

The legal rationale for restricting foreign currency use lies in the protection of monetary sovereignty and the effectiveness of domestic monetary policy. Widespread use of foreign currencies—particularly the US dollar—can weaken the State's ability to control money supply, reduce the effectiveness of interest rate policy, and expose the economy to external shocks. By limiting currency substitution, Vietnam seeks to preserve the functional dominance of the VND and enhance the transmission of monetary policy signals throughout the economy (IMF, 2023).

Nevertheless, this restrictive approach is not without challenges. In practice, enforcement of foreign currency restrictions can be uneven, particularly in sectors with strong international linkages such as tourism, real estate, and cross-border trade. Moreover, as Vietnam deepens its integration into the global economy, strict limitations on foreign currency use may increase transaction costs for businesses and create incentives for informal or non-compliant practices. From a regulatory perspective, this tension highlights the need to balance monetary control with economic efficiency, potentially through clearer exemptions and more flexible regulatory mechanisms.

4.3. Criminal and Administrative Sanctions

Vietnamese law employs a robust system of criminal and administrative sanctions to enforce currency regulations and protect monetary integrity. Counterfeiting, illegal currency trading, and unauthorized foreign exchange activities are classified as serious offenses under the Criminal Code and relevant administrative regulations. These sanctions reflect the public interest nature of currency regulation and the recognition that violations can undermine financial stability and public trust in the monetary system.

Criminal penalties for currency-related offenses are notably severe, often involving substantial fines and imprisonment. Such penalties serve both punitive and deterrent functions, signaling the State's zero-tolerance approach to activities that threaten monetary sovereignty. In addition to criminal liability, administrative sanctions—such as fines, license revocation, and confiscation of illegal proceeds—provide regulatory authorities with flexible enforcement tools to address less severe violations.

From a legal-theoretical perspective, the reliance on strong sanctions underscores the hybrid nature of monetary law in Vietnam, where public law imperatives override private autonomy in the interest of systemic stability. However, scholars have questioned whether heavy reliance on punitive measures sufficiently addresses the root causes of non-compliance, such as regulatory complexity or lack of awareness among market participants. As Vietnam's financial markets evolve, there is a growing argument for complementing sanctions with preventive measures, including clearer regulatory guidance and enhanced compliance education, to ensure that enforcement contributes to long-term regulatory effectiveness rather than mere deterrence.

5. LEGAL REGULATION OF BANKING AND CURRENCY BUSINESS ACTIVITIES

5.1. The Law on Credit Institutions

The Law on Credit Institutions (2010), as amended in 2017, constitutes the principal statutory framework governing banking and non-bank financial institutions engaged in monetary and currency-related business activities in Vietnam. The law applies to a broad range of entities, including commercial banks, policy banks, cooperative banks, finance companies, leasing companies, and foreign bank branches. By establishing a comprehensive licensing and supervisory regime, the law seeks to ensure the safety, soundness, and orderly development of the financial system.

A central feature of the Law is its emphasis on prudential regulation and preventive supervision. Credit institutions are subject to strict licensing requirements, including minimum capital thresholds, governance standards, and operational conditions. The State Bank of Vietnam (SBV) is vested with extensive supervisory powers, allowing it to conduct inspections, impose corrective measures, and intervene in cases of institutional distress. This supervisory architecture reflects a regulatory philosophy that prioritizes systemic stability over unfettered market competition, particularly in a financial system where banking institutions play a dominant role in credit intermediation.

However, the Law also reveals inherent tensions between regulatory control and market development. While extensive oversight has contributed to financial stability, critics argue that regulatory discretion and administrative intervention may inhibit innovation and efficiency. The concentration of supervisory authority in the SBV further raises concerns regarding institutional capacity and regulatory consistency, especially as financial products and services become increasingly complex.

5.2. Interest Rate Regulation

Vietnam adopts a hybrid approach to interest rate regulation that combines market-based mechanisms with selective administrative intervention. Under normal economic conditions, lending and deposit interest rates are largely determined by market forces, reflecting supply and demand dynamics within the banking system. However, the legal framework grants the State Bank of Vietnam the authority to impose interest rate ceilings in exceptional circumstances, such as periods of macroeconomic instability or excessive inflation.

This mixed model reflects Vietnam's cautious approach to financial liberalization. By retaining the legal power to intervene in interest rate formation, the State seeks to prevent destabilizing credit expansion and protect vulnerable borrowers. From a policy perspective, interest rate caps are viewed as temporary stabilization tools rather than permanent regulatory instruments. Their use underscores the State's commitment to balancing market efficiency with social and macroeconomic objectives.

Nevertheless, the application of interest rate controls has generated debate among scholars and practitioners. Critics argue that administrative caps may distort credit allocation, reduce bank profitability, and encourage informal lending practices. Moreover, frequent or prolonged intervention risks undermining the credibility of market signals and weakening the development of a fully competitive financial market. These concerns suggest the need for clearer legal criteria governing the use of interest rate controls, as well as enhanced transparency in policy decision-making.

5.3. Prudential Standards and Risk Control

Prudential regulation and risk management constitute the backbone of Vietnam's legal framework for credit institutions. Under the Law on Credit Institutions and implementing regulations, banks are required to comply with capital adequacy, liquidity, and credit risk management standards designed to mitigate systemic risk and protect depositors. These requirements reflect Vietnam's gradual alignment with international banking norms, particularly the Basel framework.

Vietnam has made notable progress in adopting Basel II standards, including risk-weighted capital requirements and enhanced supervisory review processes. However, full implementation of Basel III—particularly with respect to countercyclical capital buffers and liquidity coverage ratios—remains a long-term objective (World Bank, 2022). The gradual pace of adoption reflects structural constraints within the banking sector, including uneven institutional capacity and limited data infrastructure.

From a legal and regulatory perspective, the challenge lies in balancing international convergence with domestic realities. While stricter prudential standards can enhance financial resilience, premature or rigid implementation may impose excessive compliance costs on credit institutions. Consequently, Vietnam's approach emphasizes phased implementation and regulatory flexibility. As the financial system matures, strengthening risk-based supervision and improving regulatory coordination will be essential to ensure that prudential regulation supports both stability and sustainable growth.

6. FOREIGN EXCHANGE MANAGEMENT LAW

6.1. Legal Framework

The legal regulation of foreign exchange activities in Vietnam is primarily governed by the Ordinance on Foreign Exchange (2005), as amended in 2013, together with a series of implementing decrees and circulars issued by the Government and the State Bank of Vietnam. This legal framework establishes the foundational rules for the management of foreign currency transactions, cross-border capital flows, and foreign exchange trading services. As a key component of Vietnam's monetary and financial law, foreign exchange regulation is closely linked to the broader objectives of macroeconomic stability and monetary sovereignty.

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The Ordinance adopts a comprehensive regulatory approach, distinguishing between current account transactions—such as payments for goods and services, remittances, and income transfers—and capital account transactions, including foreign investment, loans, and securities transactions. By clearly defining the scope of regulated activities and the responsibilities of authorized institutions, the law provides a formal legal structure for cross-border financial interactions. The State Bank of Vietnam plays a central role in administering this framework, exercising licensing authority over foreign exchange service providers and supervising compliance with statutory requirements.

Despite its comprehensive scope, the foreign exchange legal framework has been criticized for its complexity and frequent reliance on sub-law instruments. The extensive use of decrees and circulars, while providing regulatory flexibility, can also create uncertainty and increase compliance costs for businesses. This layered regulatory structure underscores the tension between administrative control and legal predictability within Vietnam's foreign exchange governance.

6.2. Controlled Liberalization

Vietnam's approach to foreign exchange management is characterized by controlled liberalization, reflecting a deliberate strategy to balance economic openness with financial stability. Current account transactions have been largely liberalized in line with Vietnam's commitments under international trade agreements and its obligations to multilateral institutions. Residents and enterprises are generally free to conduct payments and transfers related to trade, services, and remittances, subject to compliance with reporting and documentation requirements.

In contrast, capital account transactions remain subject to regulatory oversight and, in certain cases, prior approval by competent authorities. This cautious stance reflects concerns over volatile capital flows and their potential impact on exchange rate stability and monetary control. By maintaining selective controls on capital movements, Vietnam seeks to mitigate the risks associated with sudden capital inflows or outflows, which can destabilize emerging financial markets.

From a comparative perspective, Vietnam's controlled liberalization aligns with the experiences of other emerging economies that have adopted gradualist approaches to capital account opening. While this strategy has contributed to financial stability, it also raises questions about efficiency and competitiveness, particularly as Vietnam's financial markets deepen and integrate globally. The challenge for policymakers lies in determining the appropriate pace and sequencing of further liberalization without compromising regulatory effectiveness.

6.3. Implications for Foreign Investment

Foreign exchange regulations play a significant role in shaping Vietnam's investment climate, particularly with respect to foreign direct investment (FDI). The legal framework guarantees foreign investors the right to remit profits, capital, and other lawful income abroad, thereby providing a degree of assurance regarding capital mobility. These guarantees are a critical factor in attracting foreign investment and enhancing investor confidence (OECD, 2020).

However, in practice, foreign investors often encounter administrative and procedural challenges in executing foreign exchange transactions. Documentation requirements, approval processes, and inconsistencies in regulatory interpretation can lead to delays and increased transaction costs. While these challenges do not negate the legal guarantees provided by the law, they may affect perceptions of regulatory transparency and predictability.

From a policy standpoint, the interaction between foreign exchange regulation and investment promotion highlights the need for regulatory refinement. Streamlining administrative procedures, clarifying regulatory guidelines, and enhancing coordination among regulatory agencies could improve the effectiveness of foreign exchange management while maintaining necessary safeguards. As Vietnam continues to position itself as a destination for high-quality foreign investment, aligning foreign exchange regulation with international best practices will be increasingly important.

7. MONETARY POLICY INSTRUMENTS AND LEGAL MECHANISMS

7.1. Open Market Operations

Open market operations constitute one of the core market-based monetary policy instruments employed by the State Bank of Vietnam. Through the purchase and sale of government securities, the SBV influences liquidity conditions in the banking system and guides short-term interest rates toward policy objectives. The legal basis for open market operations is established in the Law on the State Bank of Vietnam and detailed through subordinate regulations, which specify eligible securities, transaction modalities, and authorized counterparties.

From a legal perspective, the codification of open market operations reflects Vietnam's gradual shift toward market-oriented monetary management. By relying on securities trading rather than direct administrative commands, the SBV seeks to enhance transparency, predictability, and market discipline in liquidity regulation. Legal provisions governing counterparties—typically licensed credit institutions—are designed to ensure that participants meet prudential and operational standards, thereby reducing systemic risk.

Nevertheless, the effectiveness of open market operations in Vietnam remains constrained by structural factors, including the relatively underdeveloped government bond market and limited secondary market liquidity. As a result, the SBV often supplements

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open market operations with administrative measures. This dual reliance highlights a transitional stage in monetary governance, where legal recognition of market-based instruments coexists with practical limitations in market infrastructure. Strengthening the legal and institutional foundations of the securities market is therefore essential for enhancing the role of open market operations in Vietnam's monetary policy framework.

7.2. Reserve Requirements and Credit Controls

Reserve requirements and administrative credit growth controls continue to play a significant role in Vietnam's monetary policy toolkit. Under the legal framework, the State Bank of Vietnam is empowered to impose mandatory reserve ratios on credit institutions and to set annual or sector-specific credit growth targets. These instruments are designed to regulate money supply, manage liquidity risks, and prevent excessive credit expansion that could lead to inflationary pressures or asset bubbles.

From a policy effectiveness standpoint, reserve requirements offer a relatively direct and predictable means of influencing bank behavior. Credit growth controls, in particular, have been used as a macroprudential tool to guide lending toward priority sectors and curb speculative activities. In the context of an emerging economy with a bank-dominated financial system, these administrative instruments have proven effective in maintaining short-term financial stability.

However, the continued reliance on such controls raises important legal and economic concerns. Administrative credit limits may distort market signals, constrain efficient resource allocation, and reduce incentives for banks to improve risk assessment practices. Moreover, the discretionary nature of credit allocation decisions can introduce uncertainty and reduce transparency. From a longer-term perspective, gradual substitution of administrative controls with market-based instruments—supported by robust legal frameworks and developed financial markets—would enhance both policy credibility and economic efficiency.

8. EMERGING CHALLENGES

8.1. Digital Currency and Fintech Regulation

The rapid expansion of digital payment systems, fintech platforms, and crypto-based assets has introduced profound regulatory challenges for Vietnam's monetary and currency business law. Over the past decade, electronic wallets, mobile payments, and peer-to-peer lending platforms have significantly transformed financial transactions, increasing efficiency and financial inclusion. However, these developments have also blurred traditional regulatory boundaries between banking, payment services, and technology-driven financial intermediaries.

Vietnamese law currently does not recognize cryptocurrencies as legal tender, nor as lawful means of payment. Regulatory responses have largely relied on prohibitive or precautionary measures, emphasizing consumer protection and financial stability. While this conservative stance reflects legitimate concerns regarding money laundering, fraud, and systemic risk, the absence of a comprehensive legal framework governing digital assets has generated legal uncertainty. Businesses and investors operating in blockchain-related sectors face unclear licensing requirements, ambiguous legal status of digital assets, and inconsistent regulatory enforcement.

From a legal-policy perspective, this regulatory gap highlights the tension between innovation and control in Vietnam's monetary governance. On one hand, overly restrictive regulation may stifle technological innovation and hinder the development of a competitive fintech ecosystem. On the other hand, premature legalization without adequate safeguards could expose the financial system to significant risks. As other jurisdictions move toward regulated experimentation—such as sandbox regimes and central bank digital currency (CBDC) pilots—Vietnam faces growing pressure to develop a coherent and forward-looking regulatory framework that balances innovation, risk management, and monetary sovereignty.

8.2. International Integration

Vietnam's deepening integration into the global economy has significantly influenced the development of its monetary and currency business law. Through participation in international trade agreements and engagement with global financial institutions, Vietnam has committed to enhancing regulatory transparency, liberalizing financial services, and aligning domestic regulations with international standards. These commitments have shaped reforms in banking supervision, foreign exchange management, and monetary policy implementation.

However, international integration also presents complex legal challenges. Aligning domestic monetary regulations with international norms—such as Basel standards or cross-border payment regulations—requires substantial institutional capacity and legal adaptation. Moreover, excessive regulatory harmonization may constrain domestic policy autonomy, particularly in areas where Vietnam relies on administrative controls to maintain financial stability. The challenge lies in selectively adopting international best practices while preserving the flexibility needed to respond to domestic economic conditions.

From a critical perspective, Vietnam's experience illustrates the difficulty of reconciling global integration with sovereign monetary governance. As financial markets become increasingly interconnected, external shocks and regulatory spillovers can undermine national policy objectives. Developing a legal framework that is both internationally compatible and domestically responsive will therefore be essential for Vietnam's continued economic development and financial resilience.

9. RECOMMENDATIONS FOR LEGAL REFORM

Based on the foregoing analysis, this article proposes a set of targeted legal and institutional reforms aimed at enhancing the effectiveness, credibility, and adaptability of Vietnam's monetary and currency business law in an increasingly complex financial environment.

First, enhancing the operational independence of the State Bank of Vietnam should be a central reform priority, albeit within a framework that preserves democratic accountability and policy coordination. Rather than adopting a model of absolute independence, Vietnam could pursue a functional approach by granting the SBV greater discretion in the use of monetary policy instruments while maintaining clear reporting obligations to the Government and the National Assembly. Legal amendments could specify transparent criteria for monetary policy decisions, reduce ad hoc administrative intervention, and strengthen institutional safeguards against short-term political influence. Such reforms would enhance policy credibility and improve inflation control without undermining the State's overarching economic objectives.

Second, the development of a comprehensive legal framework for fintech and digital currencies is increasingly urgent. Existing regulations, which rely heavily on prohibitions and fragmented sub-law instruments, are insufficient to address the complexity of digital financial innovation. A dedicated legal framework could clarify the legal status of digital assets, establish licensing and compliance requirements for fintech service providers, and introduce regulatory sandbox mechanisms to encourage controlled experimentation. Importantly, any such framework should integrate consumer protection, anti-money laundering, and cybersecurity safeguards while preserving the SBV's authority over monetary stability. A balanced regulatory approach would enable innovation while mitigating systemic risks.

Third, gradually reducing reliance on administrative credit controls in favor of market-based monetary instruments would enhance the efficiency and transparency of monetary policy implementation. While credit growth targets and direct controls have played a stabilizing role in Vietnam's financial development, their continued use may distort market incentives and impede the maturation of the banking sector. Legal reform should therefore focus on strengthening market infrastructure—such as government bond markets and interbank markets—to enable more effective use of open market operations and interest rate signaling. This transition should be gradual and accompanied by improved risk-based supervision to prevent excessive credit expansion.

Finally, improving transparency and consistency in foreign exchange regulation is essential for maintaining investor confidence and regulatory effectiveness. Simplifying administrative procedures, consolidating fragmented regulatory instruments, and enhancing inter-agency coordination would reduce compliance costs and regulatory uncertainty. Clearer legal guidelines on foreign exchange transactions and capital movements would also support Vietnam's integration into global financial markets while preserving necessary safeguards. Greater transparency in regulatory interpretation and enforcement would strengthen the rule of law and enhance the predictability of Vietnam's foreign exchange regime.

10. CONCLUSION

Vietnam's monetary and currency business law reflects a careful balance between state control and market orientation. While the existing legal framework has contributed to macroeconomic stability and financial development, emerging challenges necessitate further reform. Strengthening institutional capacity, regulatory transparency, and adaptability will be essential for Vietnam to navigate the evolving global financial landscape.

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