

VIETNAM FINANCE, INVESTMENT, AND LEGAL

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FINANCE

Vietnamese overseas deposits skyrocket

VNA

Vietnamese deposits overseas, which were previously negligible, skyrocketed to hit \$7.3 billion as of the third quarter of 2015, it was reported at a conference in Hanoi on April 12.

President of the Vietnam Institute for Economic and Policy Research (VEPR) Nguyen Duc Thanh said the significance rise requires further tracking and analysis, adding that this phenomenon can be related to some side effects of the government's foreign exchange policy, including the zero percent interest rate for deposits in US dollar.

The issue was highlighted in the VEPR's report on macroeconomic in the first quarter of the year which was made public at the conference.

While affirming that the curbing of dollarisation is a correct move of the State Bank, the report said more synchronous solutions are needed to enhance trust in the domestic currency. Only then can the economy utilise the great amount of foreign currencies that Vietnamese are now depositing overseas, it said.

According to the report, the absence of an effective USD trading market coupled with the zero-percent interest rate on USD deposits have prompted many people to deposit their foreign currencies abroad while domestic banks have to borrow from foreign banks at high interest rates.

It also said low interest rates for both deposits and loans in USD together with expectations of VND devaluation following the devaluation of the Chinese yuan have prevented banks from finding borrowers of USD. As a result, depositing foreign currency in foreign banks becomes the most profitable solution.

If this theory is proved to be true, the amount of deposits overseas can continue to rise, the report said.

The report also noted the potential risk of rising inflation in the latter half of the year when the fees of many health care and educational services are adjusted up, world prices recover and food prices go up as a consequence of drought.

VEPR recommends policy-making agencies to control money supply at suitable levels, adding that the target of 18-20 percent of credit growth this year may affect inflation control.

The report underlined foreign direct investment as a bright spot in the overall economic picture, with the inflow remaining healthy and stable in the reviewed period.

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Vietnamese people send \$7.3b abroad

NDH

According to the Vietnam Institute for Economic and Policy Research (VEPR), a large amount of foreign currency assets has been sent abroad due to the policy of decreasing USD deposit interest rate to 0 percent/year and limiting the object of lending in foreign currency.

Bleeding foreign currency

In Q3/2015, the total amount of deposit abroad soared sharply to \$7.3 billion. This is a very abnormal movement, says VEPR.

As per the assessment of VEPR in the Q1/2016 report, foreign exchange position of the commercial banking system does not change much. VEPR assumes that this abnormal movement is kind of “liquidity trap” for foreign currency of the banking system.

Low USD deposit and lending rates plus the expectation of increase in USD/VND exchange rate make the market not able to find out a balance rate for lending in foreign currency.

“Consequently, commercial banks cannot find a way to invest foreign currency deposit, then investing into non-term/ short-term deposit at foreign banks is the optimal solution for profitability” says VEPR.

According to VEPR, if this assumption is correct, the cash flow to abroad will increase sharply in the near future. Bleeding foreign currency will continue strongly in the coming period.

VEPR believes that the decrease of USD deposit to 0 percent/ year has eliminated term saving of foreign currency, so most of foreign currency deposit is non-term.

Commercial banks will continue to face much difficulty in balancing their foreign currency liquidity and lending in foreign currency. Thus, they continue to choose to send money abroad.

” We think that anti-dollarisation is an appropriate policy of SBV but synchronised solutions to create the belief in VND are required. Then, the economy could utilise the huge

amount of foreign currency which is now abroad', Dr Nguyen Duc Thanh, Head of VEPR insists.

In fact, a huge amount of foreign currency of the public is sent abroad for deposit at low rates while domestic credit institutions have to mobilise from abroad at the high rate. It is such a paradox.

According to Dr Nguyen Duc Thanh, it is necessary to develop a big-scaled foreign currency trading market to release USD amount being kept. The policy to decrease USD deposit interest rate to 0 percent which is not along with the development of foreign currency trading market has led to imbalance in the foreign currency market.

Demand of mobilisation increases, pushing up interest rate

As per reported by VEPR, mobilisation demand has continued to be high since the end of 2015. Mobilisation of commercial banks for the first 3 months of 2016 increased by 2.26 percent compared to that of 2015 at 0.94 percent. VEPR explains that high demand of mobilisation is to prepare capital for the ambitious credit growth plan of the banking system in 2016, partly to meet the demand of medium and long-term capital which have been reduced from 60 percent to 40 percent under the provision of Circular 36.

VEPR assumes that the higher demand of mobilisation will push up interest rate in both the lending market and the interbank market.

"Interest rates for mobilisation for individual customers at banks are reaching the ceiling of 5.5 percent/year. Meanwhile, on average, interbank interest rate has increased by 1-2 percent since the end of 2015 compared to that of 2014-2015 period." Says VEPR.

According to VERP, credit growth rate was 1.54 percent in Q1. This rate is low in the absolute value due the Tet holiday but higher than the same period of the previous years.

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ECONOMY

Macro-economic stability prioritised

The Saigon Times

Macro-economic stability will remain high on the government's agenda, according to a socio-economic development plan for 2016-2020 approved by the National Assembly (NA) on the final day of its session in Hanoi on April 12.

Annual economic growth in the 2016-2020 period is targeted at 6.5-7 percent and average gross domestic product (GDP) per capita at \$3,200-3,500 by 2020.

Industries and services are expected to be responsible for around 85 percent of GDP. Meanwhile, total investments in the period would make up 32-34 percent of GDP and budget deficit would slide to 4 percent of GDP.

Total factor productivity is set to account for 30-35 percent of GDP, labour productivity would increase

by 5 percent annually on average, and the urbanisation rate is targeted at 38-40 percent in 2020.

In addition, labourers in the agricultural sector would be around 40 percent of the total workforce in 2020, and the ratio of trained labourers would be 65-70 percent.

Unemployment in cities would be brought down to below 4 percent while the number of poor households would go down by 1-1.5 percent annually.

By 2020, 95 percent of urban residents and 90 percent of rural residents would have access to clean water. The respective treatment proportions of hazardous and medical waste would be 85 percent and 95-100 percent.

The forest coverage target is 42 percent.

To achieve these targets, the NA requested the government to carry out six groups of solutions, including increasing the efficiency of state management, ensuring freedom and democracy for people and legal compliance, and better combating corruption and wastefulness.

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Who will lose out when Vietnam's government increases borrowing?

Thanhnie News

Financing has always been one of the biggest issues for businesses in Vietnam, but economists now warn that it can be even much harder for the private sector to secure bank loans in the months ahead because of a major cash-thirsty competitor: the government.

Speaking to Thanh Nien, economist Pham Chi Lan said when the government issues more bonds, it will absorb a large part of the country's lending capacity.

Banks and other organisations will spend a lot of money buying them, and in the end have no money left for businesses, she said.

As a large borrower, the government can easily compete with businesses in taking out loans by offering higher interest rates, she said.

When businesses cannot borrow money, they will struggle and have no money to pay taxes, which means state revenue will fall and the government will have to borrow more, repeating that cycle, according to Lan.

Cao Si Kiem, a former governor of the central bank, seemed to share the same view.

He said businesses are the ones who need bank loans the most. It is not good for the economy when banks spend their resources on government bonds, Kiem said.

The government sold more than VND87 trillion (US\$3.9 billion) worth of bonds, mostly with maturities between three and five years in the first quarter, up 24.4 percent year-on-

year, according to official figures. Vietnam plans to issue VND220 trillion (\$9.86 billion) worth of government bonds this year.

Some media reports suggested local banks are holding around 70 percent of government bonds.

Foreign funding sources, especially cheap ones, are becoming harder to access now that Vietnam has been recognised as a middle-income economy.

The economists voiced their concerns after the World Bank said in a report early this week that Vietnam is struggling with weak revenue and increased current and capital spending, given its state budget deficit equivalent to 6.5 percent of gross domestic product at the end of last year.

A report released by the Hanoi-based Vietnam Institute for Economic and Policy Research on Tuesday also said the state budget deficit could be equivalent to 6.34 percent of GDP last year, local media reported.

That was much higher than the target of 5 percent set by the National Assembly, reflecting “loose fiscal discipline,” an issue that has happened for many years, according to the report.

Lacking money, the government has been borrowing more to pay debt, which has increased public debt, economist Vu Dinh Anh was quoted as saying at a meeting to discuss the new report.

Latest figures released by the government last month showed Vietnam’s public debt was equivalent to 62.2 percent of GDP.

It will rise to 63.8 percent at the end of this year, and then 64.7 percent in 2018, or slightly lower than the threshold of 65 percent, according to the World Bank’s forecast.

Interest rate hike

Economist Vu Dinh Anh said when the government offers higher rates and shorter terms to attract bank loans, borrowing costs will increase.

Interest rates will see much bigger hikes, he said, adding that local banks have already rushed to attract deposits in recent months.

Local media reported that deposit rates have reached 8 percent, the highest since 2014. Lending rates, on the other hand, averaged 9.55 percent, up from 9.40 percent from the beginning of this year.

In another attempt to offset its budget deficit, the government will likely continue to increase tax revenues by stepping up inspection to collect arrears, according to the economists.

Since the government cannot raise import tariffs due to commitments under free trade agreements, and cannot revise corporate tax and value added tax without amending laws, it is possible to see higher taxes on local products, they said.

While the government has announced lower value-added tax rates on some agricultural products, it will levy higher luxury taxes on some car models this July and also plan more collections from fuel traders in the form of an environmental tax.

Economist Truong Dinh Tuyen said that the government may also make some tweaks in its tax policy that will remove some deductibles and increase the taxable amount.

“The burden of taxes and fees will become heavier, and in the end will have negative impacts on the economy,” economist Pham Chi Lan said.

Tax offices around the country are set to inspect 18 percent of businesses this year in a hope to collect more than VND10 trillion (\$442.9 million), according to a plan recently announced by the finance ministry’s general Department of Taxation.

Last year the department inspected nearly 79,300 businesses and collected more than VND12.35 trillion (\$545 million), according to official figures.

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INVESTMENT

\$4 billion South Hoi An casino resort to kick off in late April

VIR

The construction of the first phase of the \$4 billion South Hoi An integrated casino resort, invested by a joint venture of Vietnam-focused asset management firm VinaCapital, Macau-based SunCity Group, and Hong Kong-based Chow Tai Fook Enterprises Ltd., will start on April 23.

Accordingly, phase 1's construction will be implemented on an area of 160 hectares with a total capital of \$500 million and is expected to reach completion in the first quarter of 2019.

Once the resort comes into operation, it will be the second largest casino in Vietnam, after the Ho TramStrip resort and casino complex located in the southern province of Ba Ria-Vung Tau. Besides, the Prime Minister has recently approved the addition of a golf course to the South Hoi An resort, as part of the golf course development plan by 2020.

Licensed in 2010, the project was initially developed by VinaCapital and Genting Malaysia Berhad, and comprised of five-star hotels, villas, and an electronic gaming facility mostly targeting foreign tourists.

However, in September 2012, Genting suddenly announced its withdrawal in the midst of site clearance, forcing VinaCapital to find other partners to jointly develop the project.

After over two years of searching, VinaCapital has finally found prestigious partners in SunCity Group and Chow Tai Fook Enterprises Ltd. to replace Genting Group for their proposed \$4 billion integrated casino resort.

On March 23, 2015, the Quang Nam People's Committee officially granted an amended investment certificate for the project, officially recognising SunCity Group and Chow Tai Fook Enterprises as stakeholders working in conjunction with VinaCapital. Accordingly, Chow Tai Fook and VinaCapital are now strategic investors and SunCity, which is 70 per cent owned by Chow Tai Fook, will cooperate with its mother company to manage and run the resort.

Chow Tai Fook is engaged in property development, hotels, casinos, transportation, and jewellery. Meanwhile, SunCity Group is a casino operator at the world's largest casino hub, Macau.

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Vietnam to play strategic role in Korean investors' plans

VIR

Vietnam remains a new bright spot for Korean investors in Southeast Asia, as evidenced by their increasing presence in Vietnam.

Last December, Samsung Electronics Vietnam (SEV) was licensed to add more than \$600 million to its existing \$1.4 billion Samsung Electronics Ho Chi Minh City Complex (SEHC), increasing its total investment capital to over \$2 billion. Besides, on March 30, SEV was licensed to implement a \$300 million research and development (R&D) centre project in Hoang Mai district, Hanoi, increasing Samsung's total investment capital to \$15 billion in Vietnam.

Besides, on April 5, LG Display and the Haiphong People's Committee signed a Memorandum of Understanding (MOU) for the former to implement a high-tech, \$1.5 billion OLED screen production facility in the northern port city's Trang Due industrial park (IP). It is LG's first overseas OLED production project in the world, as well as the group's second project of such magnitude in Trang Due IP. The 40-hectare factory's construction is expected to start this May.

According to statistics of the Foreign Investment Agency (FIA), in the first quarter of 2016, Vietnam licensed approximately \$4.03 billion in FDI, up 109 per cent on-year, comprising \$2.74 billion to 473 newly-registered projects and \$1.29 billion in added capital to 203 existing projects. Korea retains its leading position among foreign-invested enterprises investing in Vietnam, with the total capital of \$888.6 million, equalling 22 per cent of the total registered FDI sum.

South Korean investors' capital inflow is expected to increase in the upcoming time, especially in the sectors of electronics, distribution, retail, property, energy, and textile and garment. Almost all large Korean enterprises doing business in Vietnam at present are on the FORTUNE 500 list, including Samsung, LG, GS, POSCO, Hyundai, KEPCO, and SK, just to name a few. Along with exceptionally large investments, these investors have brought modern technology lines to Vietnam.

Notably, SEV will soon implement the construction of the largest R&D centre in the Southeast Asian region, carving out an eminent position among the corporation's 25 R&D centres worldwide, to research and develop high-technology and Samsung's latest products. According to Han Myoung Sup, general director of SEV, Samsung will concentrate its resources to complete the construction on schedule, professing to determination in building a long-term co-operation with Vietnam.

Similarly, the \$1.5 billion OLED screen factory in Trang Due IP will bring a series of Korean satellite investors to Vietnam, contributing to developing the domestic supporting industries, once it comes into operation.

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REAL ESTATE

Singaporean group backs up southern realty project

VIR

Singaporean financial group SynGience signed a contract with local Minh Nguyen Long and L&L-LuckLand yesterday on the development of a property project in District 12 of Ho Chi Minh City.

Accordingly, SynGience will pump VND400 billion (\$18.3 million) into DepotMetro Tower-Tham Luong project. The sum will be disbursed throughout the project's different phases. The first instalment of VND40 billion (\$1.8 million) was transferred on March 29 to fast-track the first phase, according to newswire dddn.com.vn.

DepotMetro Tower-Tham Luong features two apartment blocks consisting of about 660 apartments with areas ranging from 48 to 73 square metres. It is located in District 12's Tan Thoi Nhat ward, near the Tham Luong station of Metro Line No2, promising high profitability as this area is considered a main gateway to Ho Chi Minh City from the northwest.

Besides, this is also the favoured residential area for engineers and experts working at the nearby Tan Binh industrial park.

At the signing ceremony, SynGience representatives said that Vietnam is an attractive market for international financial groups, especially after the country lifted a number of trade barriers and signed a series of free trade agreements, including the Trans-Pacific Partnership Agreement (TPP).

With respect to the recent movements of the Ho Chi Minh City real estate market, Dat Xanh Group recently launched Opal Riverside resort complex project along the Sai Gon River, worth nearly VND1 trillion (\$45.8 million) with 648 apartments.

Also, Hung Loc Phat is developing the Golden Star project, worth VND932 billion (\$42.7 million), in District 7 with 478 apartments.

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Vinhomes Golden River launched to the market

VIR

Savills Vietnam and Vinhomes on April 12 introduce its latest project - Vinhomes Golden River to the market.

Savills Vietnam becomes the first agency to organise the special event introducing Vinhomes Golden River project in Ho Chi Minh City. The event aims to provide a close look at Vinhomes Golden River, one of the major projects in 2016.

In this event, Vinhomes will share the development strategy of Vinhomes Golden River project as well as its dedication in building an elite riverside ecological urban area in the heart of District 1 of Ho Chi Minh City. Savills will introduce the overall picture of the project and the value it brings to city centre planning and its residences.

Vinhomes Golden River is located at No.2 Ton Duc Thang street, with its facade running along the Saigon River, where the residences could conveniently travel by road, rail and

waterway. The project is near major address of Ho Chi Minh City such as Ben Thanh market, the Ho Chi Minh City People's Committee, and the Independent Palace. Especially when the Ben Thanh- Suoi Tien metro line is completed, with station No.3 right inside the project, Vinhomes Golden River is uninterruptedly connected with Vinhomes Central Park, creating a brand new look by Saigon river, modern and prosperous.

Vinhomes Golden River has a total area of 25.3 hectares, is planned under riparian ecological urban model. Construction density is only 18.6 per cent, including major subdivisions: apartments and luxury villas, office for lease, shopping center, hotel, utility system, and riparian green park area.

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ENERGY-OIL&GAS

New trade minister pledges transparency for power, fuel markets

The Saigon Times

New minister of Industry and Trade Tran Tuan Anh has said boosting transparency on the power and fuel markets is among his ministry's priorities during his term of office.

Anh, who succeeded Vu Huy Hoang as minister of industry and trade last week, said the ministry will coordinate with relevant agencies to review policies and suggest solutions to dealing with legal loopholes to help improve management and ensure the legitimate interests of consumers and enterprises.

Anh told reporters on Monday that the ministry will continue implementing the government's Resolution 01/2016 on stabilising the macro economy, facilitating production and creating favourable conditions for enterprises.

The ministry will also work toward enhancing the efficiency of State management in enforcing policies on trade, export-import, market monitoring and industrial production.

Anh said the ministry will work closely with the ministries of health and agriculture-rural development to conduct more food safety checks and put it under control to protect consumer health.

Regarding international integration, Anh said improving the legal framework to support Vietnam to fulfill its commitments to the signed free trade agreements must be prioritised. Besides, enterprises and people should be aided to gain an insight into the contents, commitments, opportunities and challenges of the trade pacts.

The ministry will assist enterprises in market expansion, technological transfer and brand building, and work out technical measures to protect domestic production.

Anh said the ministry will also concentrate on restructuring enterprises under its umbrella in the mining, energy, export-import and domestic trade sectors.

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PetroVietnam seeks pipeline partners

VIR

Vietnam's state-run oil and gas group PetroVietnam announced a bid to entice new investors to the group-led \$8 billion Block B-O Mon gas exploitation and pipeline complex following the withdrawal of the US' oil giant Chevron from the strategic project to fuel future southern gas-fired power plants.

Construction of the Block B-O Mon complex officially started last week, aimed at collecting 107 billion cubic metres of gas and 12.65 million barrels of condensate from offshore Block B to supply energy for power plants the Mekong Delta region.

The Block B – Omon complex has been developed since 2010 by a consortium of the US' Chevron, Japan's Mitsui Oil Exploration (MOECO) and PetroVietnam. However, last year Chevron transferred its stakes to PetroVietnam because the two sides could not come to an agreement on the price of gas.

According to PetroVietnam's general director Nguyen Vu Truong Son, even though the project had geared up, it would be still possible for other serious investors to join in this giant project.

Son added that according to the initial statistics from PetroVietnam they can expect profits for its 20 year operation of the block to provide up to \$20 billion to the state budget.

Around 5.06 billion cubic metres of gas are expected to be brought ashore every year from 2020 to 2040 to fuel power plants in Kien Giang and O Mon district of Can Tho city, thus satisfying the power demand for the southern region in the post-2020 period.

The development of Block B will cost \$6.8 billion over 20 years, consisting of one technology centre with 46 drilling platforms, one accommodation platform, one condensate tank, and approximately 750 drilling wells, Son said.

Meanwhile, the 431 kilometre Block B – O Mon gas pipeline worth \$1.2 billion is designed to have a capacity of 20.3 million cubic meters, operated by PetroVietnam, MOECO and PTTEP. It will transport gas from Block B to An Minh district in Kien Giang province and supplement gas for the Phu My 3-Ca Mau pipeline.

Simultaneously, with the implementation of these two projects PetroVietnam will also invest in gas-fired power plants in Kien Giang and state-run Electricity of Vietnam will invest in building power plants in Can Tho's O Mon district.

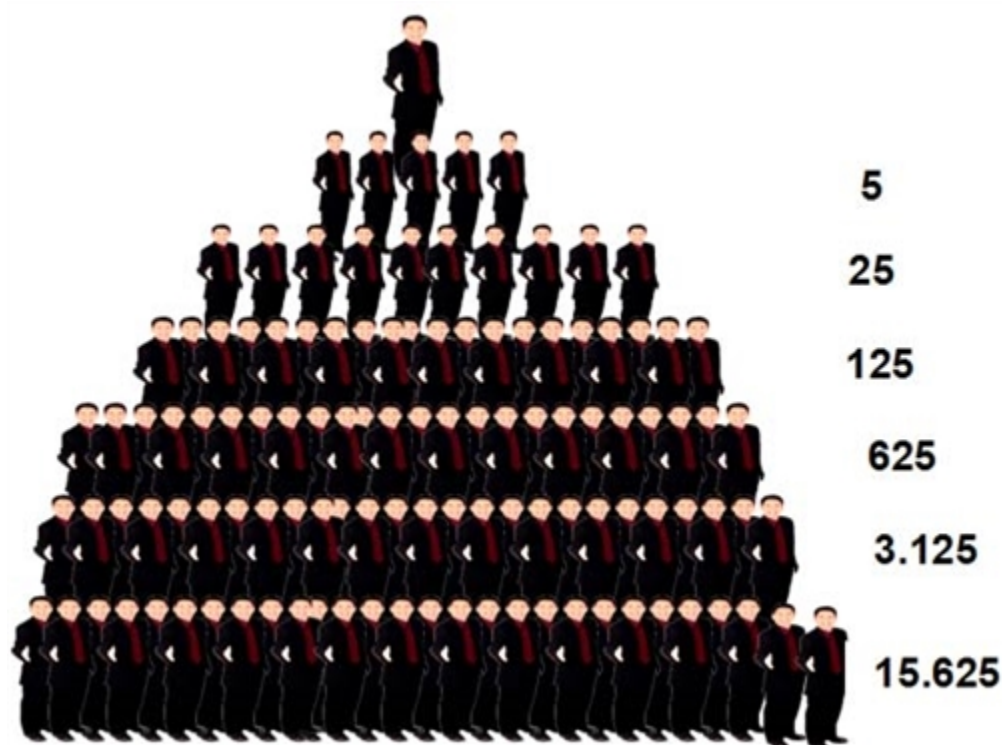
PetroVietnam has also begun preparations on a pipeline system to transfer gas from Ca Voi Xanh (Blue Whale) natural gas field offshore. Located at 100km off Vietnam's central coast of Quang Nam province and having the total investment capital of \$3.8 billion, the facility is managed by the US' Exxon Mobil and at full production the field will supply 10 billion cubic metres of natural gas onshore. This project is scheduled to begin in 2017 and put into operation in 2023.

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Legal framework for multi-level marketing business to be revised

VLLF

Deputy Minister of Industry and Trade Tran Quoc Khanh recently said the ministry would reconsider the legal framework for the multi-level marketing models with a view to limiting tricks employed to take advantage of such models for self-seeking or fraudulent purpose.



Legal framework for multi-level marketing business to be further completed_Photo: Internet

In order to raise the effectiveness of the management of multi-level marketing business, the ministry will coordinate with the Central Steering Committee 389, aiming to fight tax evasions and protect consumer rights, and with the Vietnam Multi-Level Marketing Association in conducting inspection and examination to ensure multilevel marketing companies' compliance with their licenses and law and strict handling of violators.

The ministry has also called on relevant agencies, press agencies and people for their

participation in detecting violations for prompt handling.

The Vietnam Competition Authority under the ministry has worked out a process of receiving and processing information from the press for the market management force to handle violations.

Upon its accession to the World Trade Organization (WTO), Vietnam committed to allowing multi-level marketing business in the country. The country has enacted regulations on multi-level marketing activities which have been consistent with those applied around the world, said the deputy minister.

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Dr Nguyen Tri Hieu: Circular 24 is not effective in curbing dollarisation

VOV

According to the regulation in Circular 24 of the State Bank of Vietnam (SBV), from March 31st 2016, foreign currency lending is terminated to businesses exporting goods via Vietnam's border gates. Head of the Monetary Policy Department of SBV Bui Quoc Dung said that this regulation aims to support exchange rate stabilisation and carry out the government policy to against dollarisation in the economy.

Regarding this operating solution, economist Dr Nguyen Tri Hieu commented that in fact, the group of businesses mentioned in Circular 24 is not heavily depend on foreign currency loans, because they only borrow foreign capital to convert into local currency and use that to pay for production costs. Previously, many businesses did not borrow local currency because the lending rate in dong was fairly high at about eight percent per annum while lending rate in foreign currency is about three percent per annum.

Agreeing to this policy, Dr Hieu said that this provision is given at a reasonable time, because it will surely reduce the demand for foreign currency and contribute to stabilise the foreign exchange market. Dr Hieu further explained that since the unnecessary needs

for foreign currency loans in fact would lead to the increase in foreign currency demand, this regulation will eliminate the impractical needs for foreign currency in the market.

However, in Dr Hieu's point of view, Circular 24 is not a tool to against the dollarisation. The main point of curbing dollarisation is the stability of dong. In order to fight dollarisation, all borrowing relations must be changed to trading relations. Meanwhile, since there are still three objects eligible to borrow US dollars, this circular will contribute to stabilise the foreign exchange market but does not curb dollarisation.

In fact, customers having legitimate needs for foreign currency (not subject to be banned under Circular 24) are still allowed to borrow foreign currency as before. Specifically, according to regulation on foreign currency lending to borrowers being residents, credit institutions and foreign bank branches are allowed to consider (1) providing short, medium and long-term borrowings for payment of imported goods and services when borrowers have sufficient revenue in foreign currency from production and business activities to repay the loans; (2) providing loans for overseas direct investment in national key projects and programmes which received approval of the National Assembly and the government or the prime minister and received overseas investment certificates from the Ministry of Planning and Investment; (3) providing short-term loans for leading petrol importers which are allocated annual quota of importing petrol by the Ministry of Industry and Trade for serving overseas payments for imported petrol when borrowers have not or have insufficient foreign currency from revenue of production and business activities to repay the loans; (4) providing loans for meeting the demand in the domestic to carry out plans on production and business of exported goods via Vietnam's border gates when borrowers have sufficient export revenue to repay loans.

Under Circular 24, the first three objects are allowed to borrow foreign currency as normal.

According to Dr Hieu, to cope with this new regulations, businesses which are banned from borrowing in foreign currency need to rebalance the production costs (reduce costs in marketing, personnel and administration, etc.) and increase production efficiency. This is not an easy task but businesses must have solutions to offset the losses from interest rate difference when borrowing in local currency. When production costs increase due to the borrowing in local currency, the cost of products will surely rise, making the exported products to be less competitive on the international market. At that time, those businesses will suffer losses.

Regarding the supply of capital, according to Dr Hieu's observation, there has actually been a shift from US dollar deposits to local currency deposits. People having large amount of local currency will enjoy fairly high deposit rates from 6.5 to seven percent per annum. Certainly, some people will still hold US dollars in their account although the US dollar deposit rate is zero percent because their main purpose is for the convenience in trading and payment or they expect to sell foreign currency on the open market when there are fluctuations.

Concerning some opinions mentioning that the US dollar deposit rate may be negative if Circular 24 is applied, Dr Hieu said that the negative deposit rate will reduce the motivation to hold foreign currency on accounts, and this regulation will perhaps be applied in the long term.

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