



Grey-listed, not Grey-minded

Vietnam's Fight for Financial Clean-Up

- Sarosh Nicholas



Grey-listed, not Grey-minded: Vietnam's Fight for Financial Clean-Up

November-3, 2025

In June 2023, the Financial Action Task Force (FATF) added Vietnam to the list of countries 'under increased monitoring,' also known as the Grey List. The FATF cited strategic deficiencies in anti-money laundering (AML) and countering the financing of terrorism (CFT), as the reasons for this classification. This move sent ripples through the country's financial and political landscape.

Vietnam's department of Anti-Money Laundering has declared its commitment to aligning with international anti-money laundering standards. In order to be taken off the FATF grey list, Vietnam will need to comply with the 17 FATF-mandated commitments, including regulations on virtual assets.

What Grey-listing means for Vietnam

Vietnam's FATF grey-listing can lead to a negative impact on its reputation, potential capital flight, higher compliance costs, and a decrease in foreign investment while it works to meet the FATF's standards. The grey-listing has could/will have the following implications:

- Increased monitoring: Vietnam is under heightened scrutiny from the FATF and must provide regular updates on its progress in closing AML/CFT gaps.
- Reputational damage: Being on the list damages the country's reputation and can erode confidence in its financial system, potentially discouraging foreign investment.
- Financial and economic impact: The decreased confidence, can result in lower foreign direct investment. It also may lead to higher compliance costs for businesses operating within Vietnam.
- Opportunity for reform: The grey-listing is also an opportunity for Vietnam to improve its AML/CFT framework and demonstrate its commitment to doing so.
- Focus on specific areas: Vietnam's action plan includes strengthening risk understanding, improving international cooperation, enhancing supervision of financial institutions, and addressing technical deficiencies in its laws.

In the past, other countries, viz., UAE, Turkey, Pakistan, Croatia, Mali, and Tanzania, have been removed from the FATF grey list after they successfully implemented their action plans to combat money laundering and terrorist financing. They showed progress by strengthening their legal frameworks, increasing international cooperation, and implementing measures to address their identified deficiencies.

The primary reasons Vietnam was grey listed are:

- Proliferation financing: Vietnam doesn't have sufficient controls in place to prevent its financial system from being used to fund proliferation of nuclear, chemical, and biological weapons.
- Lack of effective supervision: Vietnam needs to strengthen its risk-based supervision of financial institutions and designated non-financial businesses and professions (DNFBPs).
- Weak regulatory framework: The FATF noted deficiencies in areas like regulating virtual assets and virtual asset service providers.
- Insufficient enforcement: There was a need to improve the ability to investigate and prosecute money laundering and terrorist financing cases effectively.

Vietnam's plan to exit the FATF grey-list:

Despite making significant efforts by developing various legal frameworks and policies, Vietnam is on the grey list mainly due to its outstanding legal and regulatory gaps. The Vietnamese government is committed to exiting the grey-list and therefore is intensifying its efforts towards them, some of the steps that the government is taking are:

Strengthening Compliance

- The government of Vietnam has made amendments to the 2022 Law on Anti-Money Laundering and new guidance under Circular 09 to align national rules with FATF's Recommendation 15 on virtual assets and service providers. This will standardize the treatment of digital asset exchanges, wallet providers, and token issuers as reporting entities subject to customer identification, transaction monitoring, and record retention obligations.

- The Vietnam Blockchain and Digital Assets Association and the State Securities Commission now collaborate on risk assessment for crypto assets. In the current plan, five domestic digital trading platforms will operate under a licensed regime by 2030, and each of these need to comply with AML and counter-terrorist financing controls.
- Resolutions have been passed, assigning specific mandates to ministries for implementing the AML/CFT action plan. For instance, the Ministry of Public Security is enhancing financial intelligence capabilities, and customs and tax authorities are tightening monitoring of cross-border fund transfers. The reforms cover a range of industries, from real estate and precious metals to online gaming, each identified as a channel for illicit proceeds.
- When the gains from proliferating fraudulent token offerings, online investment scams, and rug-pull schemes are converted into crypto assets, they usually flow through Vietnam's fintech infrastructure before being cashed out. The Vietnamese State Bank's financial intelligence unit has categorized these flows as high-risk, to emphasize the need for improved suspicious transaction reporting and analytics.
- The FATF evaluators noted that although Vietnam has laws mandating ownership disclosure, the implementation of these laws is broken in case of Ultimate Beneficial Owner linked to foreign investors. To address this, Vietnam plans to centralize its beneficial ownership database and integrate it with the forthcoming National AML Data Center. This will enable automatic screening of entities against sanctions and watchlists. Building such infrastructure requires consistent data sharing between ministries, a well-known gap in Vietnam's administrative structure.
- To address poor reporting, lack of training and inadequate controls in their AML efforts, the State Bank now mandates all reporting entities to perform enterprise-wide risk assessments and to maintain records demonstrating how those risks are mitigated.

Despite these plans and some of the revisions, some challenges persist:

- Limited FIU staffing and technical resources when compared to Vietnam's financial system.
- Independent monitoring of implementation progress is limited.
- The need for clearer reporting on enforcement outcomes and public access to statistics on investigations and prosecutions.

Vietnam's AML reforms will be judged by the resilience of its financial system against abuse. FATF will look for measurable changes that have been brought about through reforms. If Vietnam is able to demonstrate that the controls it has put in place are able to stop money-laundering while enabling innovation, it may be able to exit the grey-list.



Quantum Data Engines is a reg-tech company that helps financial institutions detect, manage, and report financial crime more effectively and efficiently.