

# Bitcoin turns digital gold in vietnam



**ASSIGN  
BUSTER**

Bui Huy Kien is ignoring the Vietnamese government's warnings and accepting payment in bitcoin for advertisements on his website.

" I don't really trust the dong because of the way the Vietnamese currency is managed," Kien, the founder of lamchame. com, a portal for young parents, said in a July 23 phone interview. " It's not transparent. Gradual distrust in the dong motivates people to use bitcoin."

Two virtual currency exchanges that started in Vietnam this year are adding to the woes of a communist government that has seen the dong's 26 percent slide since 2004 burnish the appeal of gold and dollars.

The Southeast Asian nation's monetary authority has followed China in banning bitcoin transactions at banks. Pressure on businesses to discourage its use prompted a cafe in Hanoi to stop accepting the digital currency.

" Bitcoin is like digital gold," Dominik Weil, a consultant with Ho Chi Minh City-based VBTC Vietnam Ltd., which operates an exchange that trades bitcoin for the local currency, said in a July 17 interview.

The dong's depreciation is aiding the development of an underground system for bitcoin as " people are looking for a secure storage of wealth," he said.

The State Bank of Vietnam's Feb. 28 warning on its website that the use of bitcoin " is not lawfully approved and protected" didn't stop companies from creating a global exchange for brokers in March. A second bourse that caters to users within Vietnam started this month. The monetary authority said it

doesn't recognize bitcoin and has banned banks from using virtual currencies.

### Asian Authorities

The central bank " has been warning organizations and individuals to not hold, invest or execute any transactions involving bitcoin or any other similar virtual currencies because possession, trading and utilization of bitcoin and similar virtual currencies as assets pose risks and are not lawfully recognized nor protected," the monetary authority said in an e-mailed statement yesterday in response to Bloomberg questions.

China's central bank in December banned financial institutions from transactions in bitcoin and Thailand's foreign-exchange rules bar its conversion into other currencies. The Monetary Authority of Singapore has said it plans to issue regulations requiring facilitators of virtual currency exchanges to verify identities of customers and report suspicious transactions to the police.

Bitcoin is the latest threat to the dong in Vietnam where dollars and gold are often given as wedding gifts and are preferred as payment for large transactions such as house purchases.

In 2011, the government began taking steps to reduce the dollarization of its economy. The central bank directed lenders to cut interest rates on dollar deposits and sought to curb a black market for the greenback. While some Vietnamese landlords still demand rent for high-end apartments in dollars, goods and services are prohibited from being priced in U. S. currency.

### ' Very Suspicious'

The government has had to deal with runs on banks and credit cooperatives that collapsed and is " very suspicious" of new financial instruments that could threaten macro-economic stability, according to Fred Burke, managing director of Baker & McKenzie (Vietnam) Ltd. in Ho Chi Minh City.

" With something like virtual currencies, there can be an even bigger feeling of loss of control," Burke said in a July 23 phone interview. " It undermines the power of the state."

The global exchange run by Bitcoin Vietnam Co. has seen the number of users rise to more than 1, 800 since it started in March, with about 150 bitcoin trades valued at about \$86, 200, according to Weil. The domestic exchange operated by VBTC has about 300 users with two bitcoins traded so far, he said, adding that both companies are owned by the same startup.

The bourses in Ho Chi Minh City, run out of a home along a narrow alley where neighbors raise chickens and sell vegetables, have been scrutinized by local authorities and the police, though their operations haven't been hindered, Weil said.

### Government's Message

" They are sending out messages that, ' We don't like it,'" Weil said. " They did not ban it. Some people hope this bitcoin thing will go away."

The government's anti-bitcoin campaign is, however, discouraging some businesses. A Hanoi cafe that accepted bitcoin until April no longer accepts digital money, its co-owner, Quang Hung, said in a July 24 phone interview.

Vietnam lacks regulations on the use of bitcoin and other virtual currencies, the Thoi Bao Ngan Hang newspaper reported July 23, citing an interview with Major General Nguyen Hung Linh, the head of investment, currency and finance security at the Ministry of Public Security.

The government will need a transition period to formulate solutions and responses to digital money, the report quoted him as saying.

Officials at the department didn't respond to requests for comment via phone and a hand-delivered letter.

The central bank devalued the dong for the first time in a year on June 19, weakening the reference rate by 1 percent. Australia & New Zealand Banking Group Ltd. expects the authority to further weaken the currency by the end of the year, economics analyst Eugenia Fabon Victorino wrote in a June 19 note.

### Dong, Bitcoin

The dong has slipped 0.6 percent this year to 21,230 per dollar, while currencies of Indonesia, Malaysia, Thailand, the Philippines and Singapore have strengthened, data compiled by Bloomberg show.

Dwindling faith in the dong along with the growing popularity of smartphones and electronic commerce will help bitcoin gain acceptance in Vietnam,

according to Kien, the founder of the parenting website. He has received one payment of 0.03 bitcoin so far.

“ Bitcoin could play a big role in Vietnam,” Le Thao, the founder of a startup in Hanoi to create software for virtual-currency touchscreen kiosks, said in a July 21 interview. “ It’s unstoppable in the world. So Vietnam has no choice but to accept it.”