

# Vietnam's Bold Moves to Rein in Gold Market Manipulation and Smuggling

Mr Spencer Campbell, Director, SE Asia Consulting Pte Ltd, Singapore

## Government's Crackdown on Gold Market Manipulation

The Vietnamese government is taking decisive action to address soaring gold prices and the widening gap between domestic and international rates. Alarmed by potential manipulation and illicit activities, authorities have launched a comprehensive investigation into the gold industry. Deputy Prime Minister Le Minh Khai has mandated an immediate probe into the operations of all key players in the market. The State Bank of Vietnam (SBV) has been tasked with scrutinising gold production and trading enterprises, retail stores, and distribution agents, leaving no stone unturned.

**Measures to Tighten Control and Ensure Transparency**  
To restore order and transparency, the government has introduced a series of measures aimed at tightening control over the gold market. By the end of the second quarter of 2024, all gold transactions will be required to use electronic invoices. This move is expected to enhance market monitoring, facilitate the tracking of suspicious transactions, and identify potential violations. In collaboration with other agencies, the SBV will intensify oversight, enforcing existing regulations more strictly and introducing new measures to deter illegal practices and protect consumers.



Mr Spencer Campbell

## Implementing Prime Minister's Directions on Managing Gold Market

On May 12, 2024, the State Bank of Vietnam (SBV) met with the Ho Chi Minh City (HCMC) People's Committee to implement the Prime Minister's directions on coordinated gold market management. Key attendees included SBV Deputy Governor Pham Thanh Ha and HCMC Vice Chairman Nguyen Van Dung, along with leaders from the Police Department, Market Surveillance Authority, and Department of Information and Communications.

The meeting resulted in agreed measures to manage the gold market effectively, prevent price manipulation, and enhance digital transformation in monitoring. This includes mandatory e-invoices for all gold transactions and strict implementation of anti-money laundering regulations.

The SBV will also continue organizing gold bullion auctions to stabilize the market, urging caution among the public amid international price fluctuations.



## Call for Removal of Government Monopoly on Gold Bar Production

The state-owned Saigon Jewelry Company (SJC) has called on the government to relinquish its monopoly on gold bar production, allowing businesses to import and produce bullion. Despite popular belief, SJC gains no benefit from this monopoly and has faced significant financial challenges since its implementation in 2012. The gap between domestic and global gold prices has continued to widen, with Vietnamese prices now 20% higher than global rates. SJC's CEO, Le Thuy Hang, argues that ending the monopoly would help reduce gold smuggling and stabilise prices.

## Economic Implications and Market Reactions

The high domestic gold prices pose a threat to Vietnam's economic stability, making the economy more vulnerable to external shocks and undermining investor confidence. The government's intervention aims to protect consumers from artificially inflated prices and ensure a fair marketplace.

However, the ongoing crackdown is expected to have far-reaching consequences for the industry, potentially leading to market consolidation as smaller, non-compliant players struggle to survive.

## Smuggling Routes and Lack of Transparency

A significant challenge in regulating the gold market is the smuggling of gold from neighbouring countries. Laos and Cambodia are primary sources, with Vietnamese companies often having sister companies across the border to facilitate these activities.

We reached out to Ross A Friedman an Independent Consultant in the gold industry who has extensive knowledge of the gold market in Asia and asked Ross - What steps can companies involved in the gold trade in SE Asia take to combat gold smuggling into Vietnam? "Internationally known security companies, who transport gold know that the gold may be smuggled but need to take greater responsibility by conducting more extensive due diligence on the final use of that product in destination countries.

By implementing stricter measures and ensuring transparency, security companies can play a crucial role in combating gold smuggling and promoting ethical practices in the industry." - Ross A Friedman - Independent Consultant  
I personally met one Cambodian gold dealer on a visit to Phnom Penh who claimed that the 500kg of Swiss

refined gold he had imported from Singapore the previous month was for farmers who would bury it on their farms for wealth protection. I'll leave you to mull that over and come up with your own conclusions on where that really went.

## Future Prospects and Regulatory Changes

In a bid to address potential loopholes and weaknesses in the existing regulatory framework, the government will undertake a comprehensive review of Decree No. 24/2012/ND-CP.

This review aims to develop new policies and regulations better equipped to handle the complexities of the modern gold market. The long-term success of these measures depends on effective enforcement and a consistent policy stance, ensuring a stable and fair marketplace.

## In Summary

- Vietnam's ongoing efforts to regulate the gold market reflect the government's commitment to maintaining economic stability and protecting consumers. By tackling market manipulation and addressing smuggling routes, the government aims to create a transparent and lawful gold industry.
- This includes urging internationally known security companies, who transport gold, to take greater responsibility by conducting more extensive due diligence on the final use of the product in destination countries.
- By implementing stricter measures and ensuring transparency, these companies can play a crucial role in combating gold smuggling and promoting ethical practices in the industry.
- As Vietnam navigates the challenges of the global economy, these measures offer hope for a prosperous and stable future. However, in all seriousness, haven't we heard these statements before from Vietnam?
- The gold industry can only sit back and wait to see if the necessary steps are taken and the results are positive, but I for one will not hold my breath!



**Disclaimer: The views and opinions expressed in this article are solely my own and do not necessarily reflect the official policy or position of any other organization, employer, or company. Any content provided in this article is for informational purposes only.**