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Vietnamese blockchain startups operate locally, but are based abroad

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Despite being one of the world's crypto startup hotspots, most Vietnamese blockchain companies choose to be based in Singapore to avoid risks.

Vietnam has around 1,000 blockchain game projects, with around 10 of them having market caps of over $100 million, according to blockchain gaming community Yield Guide Games.

The most prominent of them, Sky Mavis, the latest tech unicorn and developer of popular non-fungible token-based online video game Axie Infinity, was founded in Vietnam in 2018. The majority of its core team is also in Vietnam, with its staff located in HCM City.

But it is legally headquartered in Singapore.

Other top Vietnamese blockchain startups, including KardiaChain, Kyber Network and Tomochain, also have their offices and staff in Vietnam but headquarter in the island nation.

Cris Duy Tran, co-founder of FAM Central and managing director of Vietnam Startup Investment Fund, said it is not uncommon for blockchain companies to choose Singapore, Hong Kong or Malaysia to register their headquarters due to the favourable policies there.

Vietnam has yet to frame regulations for the industry, and so it is inconvenient for companies to operate in the country or raise capital, he explained.

Huy Nguyen, co-founder of public blockchain platform KardiaChain and former tech lead manager at Google, said he chose Singapore due to its clear and internationally recognised legal regulations.

"This is a common trend globally, not just among Vietnamese startups. Singapore is [also] chosen due to its close proximity [to Vietnam] and affordable costs".

Startups' hurdles

Nguyen Thanh Trung, CEO of Sky Mavis, said startups prefer the island country because of capital.

"Once expanding into the international market, companies find it easier to receive foreign investment in Singapore than in Vietnam. Singaporean laws and regulations are also clearer, while in Vietnam, the bigger the project, the greater the hurdles."

In Vietnam, it takes a startup three to six months to complete the legal formalities for a blockchain project, which means some could close down before even getting funding, he said.

Huy said both businesses and investors face unnecessary legal risks since there are no laws governing blockchain.

Trung said: "Without a clear legal framework, startups always live in fear while operating. They have to be on the defensive thinking about how to comply with the law rather than spend that time on business and development."

Bringing them back

Nguyen Ngoc Dung, an expert at the Ministry of Planning and Investment, said during the Vietnam Blockchain Expoverse in Dubai in March: "I see that startups usually use Singapore for raising capital, then bring the money back to Vietnam for operating. I hope in the near future it becomes easier for firms to raise international funding."

Cris said: "We cannot say that Vietnam is a startup nation or a technology leader if most projects are headquartered abroad. This could be considered a kind of brain drain."

Huy said Vietnam is not the only country without regulations on digital assets and cryptocurrencies, but it should have a basic legal framework to make the most of blockchain's potential.

Saying regulatory sandboxes are key drivers of new startups, he added that the Vietnamese blockchain market requires clear reward and punishment provisions to develop.