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**VIETNAM UNVEILS DRAFT DATA AND DIGITAL
TECHNOLOGY LAWS: MAJOR IMPLICATIONS
FOR BUSINESSES**



OVERVIEW

Recently, the Vietnamese authorities have made public two draft laws – the draft Data Law and the draft Law on Digital Technology Industry ("DTI Law") – for feedback from the public. These proposed laws aim to tackle various data and digital technology issues, which could potentially impact businesses across different sectors.

The draft Data Law is anticipated to be effective on 1 January 2026 without a transitional period. As for the draft DTI Law, a specific effective date has yet to be specified. However, the draft law is expected to be presented to the National Assembly in October and enacted by June 2025.

IN DETAILS OF DRAFT DATA LAW

The Ministry of Public Security (MPS) has recently released a draft of the Data Law for public comment, which will be open for discussion until 1 September 2024. The law, proposed in early March, designates the MPS as the leading authority overseeing data regulations, with collaboration from other relevant entities, such as the Ministry of Information and Communications (MIC), to handle cybersecurity and information safety matters.

Critical aspects of the draft Data Law cover a wide range of topics, including the definition of "Data," the establishment of a National Synthesis Database at the National Data Center, requirements for data processing by both the government and private enterprises, and conditions for engaging in new data-related services.

The draft defines "Data" as the digital representation of behaviors, objects, events, and information and includes guidelines on establishing, operating, and utilizing the National Synthesis Database. This database will contain data from various sources, accessible to stakeholders in the public and private sectors under specific conditions.

Additionally, the draft outlines requirements for specific data processing forms applicable to State entities and private enterprises. It specifies various data processing activities and imposes obligations on the relevant actors, including State authorities, political organizations, and other entities and individuals in the public and private sectors.

Finally, the draft proposes including data intermediary services, data analysis and synthesis services, and data trading platform services in the List of Conditional Business Investment Industries and Professions. It also restricts offshore enterprises not incorporated or registered in Vietnam from providing these services.



IN DETAILS OF DRAFT DTI LAW

On July 2, 2024, the Ministry of Information and Communications (MIC) made public the proposed draft DTI (Digital Technology Industry) Law for soliciting feedback from the public. This draft law builds upon the initial proposal from 2022. The period for public consultation is scheduled to end on September 2, 2024.

The draft DTI Law covers several crucial aspects, including:

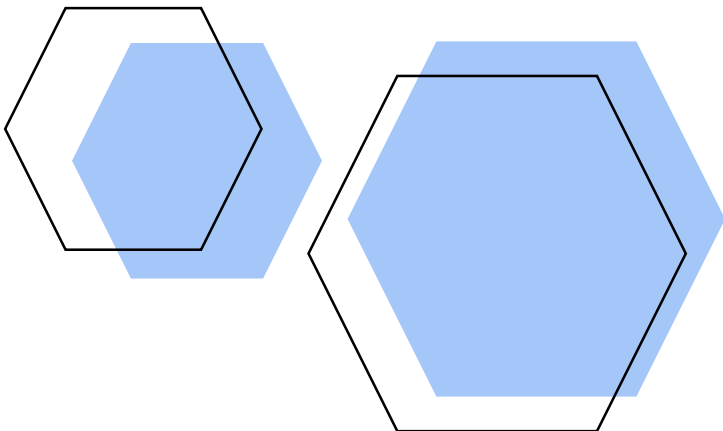
1. **Policy Incentives:** The draft law is designed to provide general policy incentives to support the digital technology industry across different sectors. These incentives target entities such as manufacturers of essential digital technology products, credit institutions involved in critical digital technology loans, investors contributing to infrastructure development for focused digital technology parks, semiconductor businesses, innovative digital technology start-ups, and vendors of environmentally friendly digital technology products and services. More specific details about these incentives and the eligibility criteria are expected to be outlined in additional governmental and ministerial regulations.

2. **Introduction of New Concepts:** The draft law introduces definitions for digital technology products, AI, digital data, and digital assets. This lays the groundwork for establishing rights and obligations related to fundamental "assets" in the digital economy, including aspects such as property ownership.

3. **Secure Data Flow:** The draft law aims to promote a more secure flow of digital data by encouraging the growth of the digital data market and pricing, facilitating the processing of de-identified data to support the production and distribution of digital technologies, and regulating the cross-border utilization and trade of digital data.

4. **AI Focus:** Vietnamese policymakers have recognized AI as a significant driver of the fourth industrial revolution. Therefore, the draft DTI Law supports the advancement and application of AI while also outlining ethical standards and prohibited actions in AI practices. This approach involves assigning compliance responsibilities based on the risk profile of an AI system.

5. **Regulatory Sandbox Framework:** The draft DTI Law introduces a sandbox mechanism for temporarily testing innovative digital technology products and services in a controlled environment. This enables an assessment of the costs and benefits of such technologies, aiding in enhanced risk management before broader implementation.





IMPLICATIONS FOR YOUR BUSINESSES

The effects of different companies will be determined by the specific types of business activities they engage in. Nevertheless, a noticeable pattern in laws and regulations is emerging, with a focus on imposing limitations on the movement of data and new technologies. However, these restrictions are expected to be counterbalanced by a range of incentives aiming to encourage compliance and innovation.

CONCLUSION

The recent DTI Law and Data Law enactment marks a significant shift in Vietnam's legal system. These laws reflect Vietnam's dedication to embracing the digital age, promoting creativity, and protecting data privacy.

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