



## Designing Financial Dispute Resolution in an International Financial Centre: The Case of Vietnam

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### Abstract

Vietnam's establishment of an International Financial Centre marks a significant shift in its approach to financial dispute resolution. This article examines recent legal reforms governing specialized courts and international arbitration, arguing that Vietnam is pursuing a distinctive hybrid model that incorporates selected international practices within its civil law system. Through comparative analysis with Singapore and Dubai, the article reveals both convergence with global standards and path-dependent institutional choices. While existing scholarship emphasizes substantive financial regulation, this study addresses the procedural foundations of dispute resolution credibility. The analysis demonstrates that although legal reforms enhance Vietnam's international legitimacy, the regime's effectiveness ultimately depends on consistent judicial practice and restrained application of public policy and state interest exceptions that could undermine arbitral finality.

**Keywords:** International Financial Centre, financial dispute resolution, legal reform, Vietnam

### Introduction

#### The strategic imperative

Vietnam's establishment of an International Financial Centre (IFC) through National Assembly Resolution No. 222/2025/QH15 presents a distinctive institutional challenge: how can a civil law jurisdiction with limited judicial independence credibly commit to dispute resolution standards demanded by international financial markets? <sup>[1]</sup> The answer will determine whether Vietnam's initiative succeeds or joins the catalogue of failed IFC aspirations in emerging economies.

Successful IFCs share a defining feature: dispute resolution mechanisms insulated from political interference and sufficiently predictable to assure parties that agreements will be enforced according to their terms <sup>[2]</sup>. Vietnam's legal system, with courts integrated within the state hierarchy, expansive public policy doctrines, and constitutional provisions subordinating judicial authority to the National Assembly, appears structurally incompatible with these requirements.

This article argues that Vietnam's 2025 reforms represent a calculated hybrid: selective incorporation of international features (specialized courts, international judges, English proceedings) alongside retention of state oversight mechanisms. Through comparative analysis with Dubai and Singapore, it demonstrates that Vietnam diverges from successful models in three critical dimensions: judicial autonomy, public policy exceptions, and appellate finality. These divergences reflect institutional choices prioritizing political control over commercial predictability, creating structural tensions that formal legal sophistication cannot resolve.

#### The centrality of dispute resolution

Successful IFCs invariably feature efficient, credible, and internationally recognized dispute resolution mechanisms. Financial transactions involving cross-border investments, structured products, derivatives, and complex commercial arrangements demand adjudicatory systems inspiring confidence among international investors and financial institutions <sup>[3]</sup>. Empirical evidence from established IFCs

demonstrates that jurisdictional stability, procedural efficiency, specialized judicial expertise, and enforceability of decisions constitute fundamental prerequisites for attracting and retaining global capital flows <sup>[4]</sup>.

Vietnam's traditional legal framework, grounded in civil law traditions inherited from French colonial influence and subsequently adapted through socialist legal development, presented significant challenges to IFC development aspirations <sup>[5]</sup>. The existing court system, while undergoing continuous modernization, was perceived by international investors as lacking specialized expertise in complex financial instruments, linguistic capabilities for English-language commercial practice, procedural flexibility demanded by sophisticated commercial parties, and the transparency standards expected in international financial transactions <sup>[6]</sup>. Additionally, Vietnam's judicial system operates primarily in Vietnamese, applies Vietnamese law exclusively except in narrowly prescribed circumstances, and employs procedures reflecting civil law investigation traditions rather than common law adversarial approaches familiar to most international commercial practitioners <sup>[7]</sup>.

Recognition of these fundamental incompatibilities catalyzed unprecedented legislative activity throughout 2025, culminating in comprehensive legal reforms that fundamentally reshaped Vietnam's dispute resolution landscape, specifically for IFC-related matters. This article analyzes these groundbreaking reforms, examining how Vietnam has attempted to reconcile the operational requirements of a globally competitive IFC with domestic legal traditions, constitutional constraints, and sovereignty concerns.

#### Research methodology and structure

This article adopts a comparative legal approach to examine Vietnam's financial dispute resolution reforms in the context of IFC development, with reference to the institutional models of Singapore and Dubai. It combines doctrinal analysis with institutional assessment to evaluate both legal design and implementation challenges, before concluding with broader implications for emerging economies.

## Comparative models of financial dispute resolution in International Financial centres

### 1. Institutional approaches to IFC dispute resolution

IFCs generally adopt one of two institutional approaches to financial dispute resolution, namely judicial separation or judicial integration. This choice reflects differing priorities between the pursuit of international credibility and the need to preserve constitutional coherence within domestic judicial systems.

The Dubai International Financial Centre (DIFC) Courts, established in 2004, represent a model of judicial separation. They operate as an autonomous judicial authority outside the United Arab Emirates national court system<sup>[8]</sup>. Although the UAE follows a civil law tradition, the DIFC Courts apply English common law, conduct proceedings in English, and are staffed predominantly by judges with experience in common law jurisdictions. Their institutional design limits interaction with domestic courts and emphasises procedural autonomy, thereby enhancing confidence among international commercial actors<sup>[9]</sup>.

By contrast, the Singapore International Commercial Court (SICC), established in 2015, exemplifies judicial integration. Operating as a division of Singapore's Supreme Court, the SICC incorporates international judges and flexible procedural arrangements while remaining embedded within the national judiciary<sup>[10]</sup>. Rather than creating a separate institutional framework, it relies on Singapore's established reputation for judicial professionalism and legal certainty to support its international commercial function<sup>[11]</sup>.

These two approaches illustrate a structural tension. Judicial separation offers greater procedural autonomy but may raise constitutional and coordination challenges. Judicial integration preserves institutional unity but depends heavily on the existing credibility and capacity of domestic courts.

### 2. Functional requirements beyond institutional structure

Comparative experience from leading IFC suggests that institutional form alone does not determine the effectiveness of financial dispute resolution<sup>[12]</sup>. Certain functional requirements tend to be present across successful models, regardless of whether courts are separated or integrated.

Firstly, jurisdictional concentration is essential. Effective IFC courts confine their jurisdiction to complex commercial and financial disputes, allowing judges to develop specialised expertise in areas such as structured finance, derivatives, and cross-border transactions<sup>[13]</sup>. Secondly, international judicial participation plays a critical role. Both the DIFC Courts and the SICC involve judges with prior experience in major commercial jurisdictions, which facilitates familiarity with international transactional practice and commercial law doctrines that may be less developed in domestic systems<sup>[14]</sup>. Thirdly, the use of English as the language of proceedings reflects prevailing market practice. International financial documentation, expert evidence, and legal argument are predominantly conducted in English. Courts that require extensive translation risk delay, interpretive uncertainty, and increased transaction costs<sup>[15]</sup>. Fourthly, party autonomy in relation to applicable law and procedure is a defining feature. IFC courts generally permit the application of foreign substantive law and allow procedural flexibility in matters such as evidence and document production, thereby aligning

litigation more closely with international commercial expectations<sup>[16]</sup>. Finally, limits on appellate review enhance finality and predictability. Both the DIFC Courts and the SICC restrict appeals to narrow grounds, reducing prolonged litigation and approximating the certainty typically associated with international arbitration<sup>[17]</sup>.

Taken together, these elements form a functional benchmark for IFC dispute resolution. Jurisdictions that seek to attract sophisticated financial activity without offering such features may encounter difficulties in establishing international credibility, regardless of broader regulatory incentives.

### 3. Institutional choices and constraints in comparative perspective.

The comparison between Dubai and Singapore indicates that successful IFC dispute resolution depends less on the choice between separation and integration than on the alignment between institutional design and domestic legal conditions. Singapore's integrated model has been effective in large part because its domestic judiciary already enjoyed a strong reputation for independence, predictability, and competence in commercial matters<sup>[18]</sup>. The SICC, therefore, extended an existing foundation rather than substituting for it. In contrast, the UAE's domestic court system lacked the linguistic, procedural, and substantive characteristics expected by international financial actors. The creation of the DIFC Courts as a separate institution enabled Dubai to overcome these limitations without comprehensive reform of the national judiciary<sup>[19]</sup>.

Vietnam's constitutional framework, which emphasises judicial unity and state oversight, makes a fully separated model difficult to accommodate. As a result, Vietnam's reforms necessarily follow an integration-oriented approach closer to the Singapore model. However, unlike Singapore at the time of the SICC's establishment, Vietnam's domestic courts do not yet possess comparable international standing in the resolution of complex financial disputes.

This creates a distinct structural challenge. Vietnam must rely on procedural innovation, specialised adjudication, and international participation to build credibility within an integrated judicial framework. Whether these measures can generate sustained international confidence will depend less on formal legislative design than on consistent judicial practice and the perceived independence of dispute resolution in financially sensitive cases<sup>[20]</sup>.

### Vietnam's dispute resolution reforms: Design and structural tensions

#### 1. Integration strategy under constitutional constraints

Vietnam's dispute resolution framework for the International Financial Centre, established under Law No. 150/2025/QH15 on the Specialized Court and Decree No. 328/2025/NĐ-CP on the International Arbitration Centre, adopts an integration-based model shaped primarily by constitutional structure rather than institutional preference. The Specialized Court operates within the People's Court system under the supervision of the Supreme People's Court, thereby preserving judicial unity as required by the 2013 Constitution while seeking to accommodate international commercial expectations through targeted procedural innovation<sup>[21]</sup>.

This institutional choice differs fundamentally from successful comparators. Singapore's integration model

proved effective because domestic courts already enjoyed strong international confidence <sup>[22]</sup>. Vietnam, by contrast, pursues integration in a context where perceptions of judicial independence in commercially sensitive disputes remain evolving. The resulting framework, therefore, seeks to achieve procedural sophistication within structural constraints, giving rise to recurring tensions between international participation and institutional oversight, between procedural autonomy and hierarchical supervision, and between substantive flexibility and public policy control.

## 2. Judicial composition and the limits of internationalization

Law No. 150/2025/QH15 authorizes the appointment of foreign nationals as judges of the Specialized Court, a development without precedent in Vietnam's judicial system <sup>[23]</sup>. Foreign judges must possess substantial experience in commercial adjudication, professional standing, and English language proficiency, and are appointed by the President upon recommendation of the Chief Justice. Vietnamese judges appointed to the court are subject to similar professional requirements, though through different career pathways.

The inclusion of foreign judges enhances technical capacity and signals alignment with international practice. At the same time, the appointment mechanism retains a higher degree of institutional control than comparator jurisdictions such as Singapore, where judicial selection operates through an independent commission <sup>[24]</sup>. This structure raises an open question that cannot be resolved by legislation alone: whether foreign judges embedded within Vietnam's judicial hierarchy will exercise the degree of decisional autonomy expected by international court users.

Comparative experience suggests that international judicial participation contributes to credibility only when accompanied by demonstrable independence in practice. Dubai achieved this through institutional separation, while Singapore relied on an established culture of judicial autonomy. Vietnam's model occupies an intermediate position, combining international participation with hierarchical integration. The credibility of this arrangement will depend on consistent adjudicatory practice rather than formal authorization.

In addition, while the legislative framework anticipates knowledge transfer between foreign and domestic judges, it does not establish structural mechanisms to ensure this outcome. In the absence of systematic training, co-adjudication requirements, or institutionalized professional development, there is a risk that judicial expertise may remain unevenly distributed rather than embedded across the court.

## 3. Procedural innovation and institutional capacity

The Specialized Court introduces three procedural departures from traditional Vietnamese adjudication: English language proceedings, a streamlined adjudicatory structure, and a binding precedent mechanism. Each aligns with international IFC practice, yet each presents distinct implementation challenges.

English language proceedings address a practical barrier to international litigation, given the dominance of English in financial documentation and argumentation. However, the effectiveness of this reform depends on judicial language

capacity. The law does not provide transitional measures for language training or institutional quality control, creating potential risks of uneven application.

The streamlined adjudicatory structure enhances efficiency through single-judge first instance hearings and limited appellate review. While this promotes finality, it also removes cassation review, a mechanism traditionally used to ensure doctrinal consistency within Vietnam's judiciary. As a result, the Specialized Court operates with an unusual degree of appellate finality, increasing the importance of first instance adjudication quality and internal consistency.

The binding precedent mechanism represents a significant cultural shift from statute-centered adjudication <sup>[25]</sup>. Although limited to the Specialized Court, its effectiveness depends on judicial acceptance of precedent as a binding constraint rather than a persuasive reference. Without sustained institutional reinforcement, the formal adoption of precedent may not translate into predictable practice.

## 4. Choice of law and public policy constraints

The Specialized Court permits parties to select foreign law, foreign case law, or international commercial customs in disputes involving foreign elements. This flexibility addresses longstanding limitations in Vietnam's conflict of laws framework. However, it remains subject to a public policy exception <sup>[26]</sup> and to jurisdictional exclusions for disputes involving public or state interests.

Comparative practice indicates that such exceptions support legal certainty only when interpreted narrowly <sup>[27]</sup>. In jurisdictions such as Singapore and Dubai, public policy is invoked sparingly and confined to fundamental legal principles. Vietnam's legislative framework provides limited guidance on interpretive scope, leaving uncertainty as to whether public policy and state interest concepts will be construed restrictively or expansively.

If applied broadly, these exceptions risk undermining the very flexibility they are intended to permit. Parties may hesitate to rely on foreign law selection where courts retain wide discretion to substitute domestic law on indeterminate grounds. The development of restrained jurisprudence in this area will therefore be critical to the framework's credibility.

## 5. International arbitration and conditional finality

Decree No. 328/2025/ND CP establishes the International Arbitration Centre and introduces enhanced procedural autonomy, including annulment waiver, foreign law application, and flexible language choice <sup>[28]</sup>. These features respond to concerns regarding judicial intervention in arbitration.

At the same time, arbitral finality remains conditional. Annulment waiver is voluntary rather than default; public policy remains a ground for refusing enforcement, and jurisdictional exclusions for state-related matters lack a precise definition <sup>[29]</sup>. These features preserve institutional oversight but limit predictability for parties seeking arbitration as an alternative to court adjudication.

As with the Specialized Court, the effectiveness of arbitration reform depends less on formal authorization than on restrained judicial practice in applying override mechanisms.

## 6. Implementation risk and the credibility threshold

Vietnam's IFC dispute resolution framework reflects a deliberate effort to balance international commercial

expectations with domestic institutional constraints. Unlike Singapore, where credibility preceded integration, or Dubai, where separation bypassed domestic limitations, Vietnam pursues integration in a context where credibility must be built through practice<sup>[30]</sup>.

The principal risk lies not in legislative design, but in implementation. Broad interpretation of public policy, inconsistent application of foreign law, or visible intervention in commercially sensitive cases could undermine confidence in the framework. Conversely, consistent restraint and predictability could gradually establish a reputation for reliability.

Vietnam's challenge is therefore jurisprudential rather than legislative. The success of its IFC dispute resolution regime will depend on the emergence of a sustained pattern of non-intervention in private commercial arrangements, a practice that cannot be mandated by statute but must be demonstrated through adjudication.

### Conclusion

Vietnam's establishment of an International Financial Centre reflects a deliberate attempt to reconcile international dispute resolution standards with domestic constitutional and institutional constraints. Rather than adopting full judicial separation, Vietnam has pursued an integration-based model that selectively incorporates international practices while preserving judicial unity and state oversight. This article has shown that although recent reforms significantly enhance the formal credibility of Vietnam's dispute resolution framework, structural tensions remain. The effectiveness of the regime will depend less on legislative design than on judicial practice, particularly the restrained application of public policy and state interest exceptions, the consistent treatment of foreign law, and the perceived independence of adjudication in financially sensitive cases.

Vietnam's experience highlights a broader lesson for emerging economies: credibility in international financial dispute resolution cannot be achieved through procedural innovation alone. It must be earned through predictable, disciplined, and transparent adjudication over time.

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