



[Authentic in Lao only]

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Prime Minister's Office

No. 275/PM
Vientiane Capital, dated 25 September 2009

**Decree
On the Implementation of the Law on Commercial Bank**

- Pursuant to Law on the Government of the Lao PDR No. 02/NA, dated 6 May 2003;
- Pursuant to Law on Commercial Bank No. 03/NA, dated 26 December 2006;
- Referencing to the proposal of the Bank of Lao PDR No. 717, dated 10 September 2009.

The Prime Minister issues a Decree:

**Chapter I
General Provisions**

Article 1. Objective

This Decree is issued to elaborate and instruct on the implementation of some articles of the Law on Commercial Bank to have the clearness in order to ensure the uniformity in the implementation of the mentioned law in the entire country.

Article 2. Definitions

Wherever used in this Decree, the following terms shall have the following meanings:

2. [1.] "Service Units" are referred to a part of the commercial bank, which are established by the commercial bank or branch of the commercial bank;
3. [2.] "Capital in Kind" is referred to fixed assets and movable assets of which the shareholder has contributed to be the registered capital of the commercial bank or minimum investment capital of branch of the foreign bank.

Article 3. Illegal Competition in Bank Business

The State does not allow commercial bank to undertake an illegal competition such as: the monopoly on the market, the activities that are not conformed to Decree on Trade Competition No. 15/PM, dated 4 February 2004.

Article 4. Scope of Applicability

This Decree shall apply to domestic commercial bank, branch, service unit, affiliated companies and the domestic representative office of the commercial bank that operate in the Lao PDR or overseas; branch of commercial bank, affiliated companies and representative office of foreign commercial bank that operate in the Lao PDR.

Chapter II Establishment and Organizational Structure of the Commercial Bank

Article 5. Application File

The application file to establish a commercial bank shall include the main documents as follows:

1. The business plan shall have the following main contents:
 - 1.1 Location of headquarters' office, structure on the ownership and details of the activities;
 - 1.2 Scope of marketing and the analysis of the market;
 - 1.3 Details relating to the initial capital, assets, fund for production expansion, plan to increase the capital in each year (if any), plan to use the capital that covers the investment in fixed assets, materials and technical contribution, working capital for the period of five beginning years;
 - 1.4 Estimation of the income-expenditure for the period of five beginning years.
2. Organizational structure of the commercial bank shall have details on management and internal activities which reflect to see the scope of works, reporting line and officials who hold important position including affiliated companies or the representative office of the commercial bank.
3. Certificates on financial status of the shareholder that have the following details:
 - 3.1 For the shareholder that is an individual shall have documents, such as: the certificate of deposit, certificate on the ownership of assets, debt notification and other documents of loans or source of fund that invests to establish the commercial bank or other documents as required by the Bank of Lao PDR;
 - 3.2 For the shareholder that is a legal entity shall have documents, such as: three last consecutive years of balance sheet audited by external auditor, certificate of being the principal shareholder, the shareholder who has benefit in the bank or other financial institution including debts, loans or business interest, including the

source of fund which have used in the investment to establish the commercial bank and other documents as required by the Bank of Lao PDR.

4. Copy of identity card or passport, criminal clearance certificate of the shareholders and administrators. For legal entity shall have the copy of the enterprise registration certificate.
5. Certificates relating to the qualifications and experience of the proposed administrators, including their business and professional history for the past five years.
6. List of shareholders and proportion of the shareholding with the signature of acknowledgement by the shareholders.

A foreign commercial bank that wishes to establish its branch offices or affiliates in the Lao PDR shall have a prior consent in writing of its home country supervisor and shall complete documents similarly as the application to establish a commercial bank. In addition, it shall have decision from the board of directors of such bank including to certify to ensure that its bank shall be liable to other obligations arisen from the operations of its branch in the Lao PDR.

Article 6. Preliminary License

The applicant to establish a commercial bank will obtain the preliminary license if he can satisfy the full conditions as provided in paragraph 2 of Article 11 of the Law on Commercial Bank. The preliminary license is only a certificate of principles regarding the license. The beneficiary of the preliminary license can not operate his business, but he can use it in order to complete as an evidence of reference to carry out the additional conditions such as: the application of permit to construct the head quarters' office of the bank, to transfer the registered capital into the Lao PDR and others as provided by laws and regulations.

The preliminary license has a used term of one hundred eighty days from the date of the receipt onward. In the event that the performance of additional conditions has a progress but can not achieve within the fixed period he can extend ninety days for each term but the total not exceeding two times.

Article 7. Structure of the Minimum Registered Capital and Investment Capital

In the application to establish a commercial bank or a branch of foreign commercial bank, the applicant shall have a minimum registered capital or a minimum investment capital as provided in Article 13 of the Law on Commercial Bank. The minimum registered capital and minimum investment capital are composed of cash and in kind. The minimum registered capital and minimum investment capital in kind shall be paid not excess ten percent of the minimum registered capital or investment capital. The capital in kind may consist of vehicles, technical equipments and others. The Bank of Lao PDR may modify the proportion of the capital in kind to be appropriate from time to time.

Article 8. Use of Minimum Registered Capital and Minimum Investment Capital

A commercial bank and a branch of a foreign commercial bank can use the minimum registered capital and investment capital into the construction of headquarters' office, the contribution of technical equipment and use into the business operations in accordance with regulations issued by the Bank of Lao PDR.

Article 9. Shareholding in the Commercial Bank

The shareholding in the commercial bank of an individual or administrator, principal shareholder, persons who have relations as spouses, descendants, individuals who have benefit on business with the administrator of the principal shareholder including the person who have an important benefit in other legal entities of which the commercial bank has an important benefit altogether more than ten percent and be a shareholding more than other shareholders, and shall be deemed as the person who has the authority to make decision on the operations of the commercial bank, unless those mentioned persons can be certified that they have an actual independence and the right of ownership in the shares that they have held.

In the event it has seen that any individual is the person who has the authority to make decision on the governance of the commercial bank, the Bank of Lao PDR can define to such commercial bank to perform the below conditions:

1. Determine that the board of directors of such commercial bank shall have the external members in majority;
2. Voting system concerning important issues of the commercial bank shall be based on the qualified vote but at least more than 2/3 and obtaining a majority vote from the shareholders who participate to the meeting;
3. Having internal regulations to define the conditions that do not allow to the principal shareholder has the sole authority to make decision on the issues concerning the operations of the commercial bank;
4. Other conditions as determined by the Bank of Lao PDR.

Article 10. Operational Mechanism of the Board of Directors

The board of directors, committees of the board of directors undertake their works according to the meeting regime in order to let the general managing director to exercise the reporting regime on the administrative activities in accordance with the contents and the duration provided by the board of directors.

Committees of the board of directors shall perform their duties on the management and control through the revision and control of the report on the finance and governance in each period that are reported by the administrator who takes in charge of the permanent duties of the commercial bank. The board of directors exercises their rights

and duties to supervise, but do not involve in duties of the daily governance of the commercial bank. The board of directors, committees of the board of directors defines the policies, mechanism, rules and principles in writing in order to direct the general managing director of the commercial bank to implement.

The board of directors shall directly be responsible against the result of the damages that are caused by the commercial bank which is due to the misconduct to the issued policies. In the event that there is an issuance of policies by the board of directors which are unclear or not complete and which cause damages to the commercial bank, the board of directors and general managing director will be jointly responsible to such damages, the general managing director shall be responsible to the damages that are caused to the commercial bank due to the failure of good performance or not fully perform and not perform in accordance with the policies issued by the board of directors.

Article 11. Form to Conduct the Board of Directors' Meeting

The board of directors can conduct the meeting under the form as below:

1. Meeting of the members of the board of directors.
2. Conduct the meeting through the video's system.

In every form of conducting the meeting shall have a minute in writing and be signed by the participants. For the meeting through the video's system shall have a sound and picture's record for filing.

3. In case of necessity to decide on some issues, the president of the board of directors may send a circular to the members of the board of directors to vote without opening the meeting.

Article 12. Establishment of Affiliates, Branches and Representative Offices

A commercial bank may establish its affiliates, branches and representative offices within the country and overseas, based on the approval of the Bank of Lao PDR. For the establishment of service units by a commercial bank is based on the commercial bank's own consideration but shall inform the Bank of Lao PDR in writing within the period of fifteen days from the date of the establishment onward including to attach the resolution of the board of director's meeting concerning the approval on the establishment of such service units.

The new established commercial bank may expand its branches according to the business plan which is adopted by the Bank of Lao PDR, but it shall complete additional documents such as: regulation on the management of the branches, the background of the administrator and others as required by the Bank of Lao PDR. Only the commercial bank which has obtained the permanent establishment's license will be able to propose to establish its branches.

The Bank of Lao PDR issues the detailed instructions on the requirements and the completion of documents to establish the affiliates and branches of a commercial bank.

Article 13. Scope of Operations of the Branch

A branch of a commercial bank within the country and overseas may operate on banking business such as: the mobilization of deposits, provision of credit, buying foreign currencies, payment and investment's services as assigned by the headquarters with the consent from the Bank of Lao PDR.

Article 14. Scope of Operations of the Services Units

A service unit of the commercial bank may provide service on the acceptance of the deposit, withdrawal of cash, transfer of money according to the order of the customer, provide service on the exchange of foreign currencies and others as assigned by the branch or the headquarters of the commercial bank.

Article 15. Scope of Operations of Representative Offices of Foreign Commercial Bank

A representative office of a foreign commercial bank may operate to collect data, study the probability in the investment and communicate with different documents in order to apply for investment.

**Chapter III
Financial Business Undertaking**

Article 16. Financial Business Undertaking

A commercial bank may engage in financial business as provided for in Article 42 of the Law on Commercial Bank, but within that, the undertaking on business to lease, insurance and business on secured transactions, buying-selling in equity securities shall establish in a specific legal entity according to the provided laws and regulations concerned.

Article 17. Requirements for Financial Business Undertaking

A commercial bank wishing to engage in financial business shall meet the main requirements as follows:

1. Having a good financial position;
2. Implementing regulations on general prudential requirements;
3. Be able to implement the requirements on financial business as provided for in laws and regulations concerned.

Article 18. Control of Business, Purchase of Shares and Sale of Assets

The Bank of Lao PDR issues the regulations on the control of business, purchase of shares or sale of substantial assets of the commercial bank as provided for in Article 49 of the Law on Commercial Bank based on the following requirements:

1. Having an adequate financial position, ensuring to implement the financial proportion for the general prudential requirement issued by the Bank of Lao PDR;
2. Ensuring to avoid the risks in the investment.

Article 19. Electronic Information Service

The electronic information service is a service with a modern device such as: the issuance of electronic card, home banking system, phone banking, internet banking and others.

A commercial bank may provide service to their customers through electronic banking system, but it shall have a regulation on the supervision of such service, an appropriate safety system and shall receive the authorization from the Bank of Lao PDR.

The Bank of Lao PDR is the body to issue regulations on the supervision of the electronic information service.

Chapter IV Inspection

Article 20. Rights and Duties of the Inspector of the Bank of Lao PDR

The inspector of the Bank of Lao PDR, in addition to act in accordance with rights and duties as provided for in Article 64 of the Law on Commercial Bank, he has also additional rights and duties as follows:

1. Examine the report, other documents of the external auditor or other concerned persons;
2. Discuss with the external auditor on the report or the recommendation of such auditor;
3. Inspect the affiliates of the commercial bank when it is necessary, in order to ensure that there is any business operation which is not proper between the commercial bank and the affiliates.

Article 21. Inspection Undertaking

The inspection of the commercial bank consists of the inspection according to the annual plan and immediate inspection when it is necessary.

The inspection according to the annual plan is a regular inspection which is performed according to plans on a regular basis and at a specified time. For the immediate

inspection is an inspection in the case there is an event is arisen or it has the necessity to proof to certify some event that is urgent.

The procedures on inspection shall be performed in accordance with regulations as defined by the Bank of Lao PDR.

Article 22. Conclusion of the Inspection

After conducting the inspection of the commercial bank shall have a conclusion of the inspection signed by the inspector or the general managing director or the managing director of the branch of the commercial bank. The conclusion of the inspection shall indicate to see the contents of the inspection, discovered issue and recommendation of the auditor for solution.

Chapter V Rehabilitation, Cancellation and Withdrawal of License

Article 23. Rehabilitation of the Commercial Bank

The methods to rehabilitate a commercial bank are as follows:

1. Engaging to re-improve the structure of the commercial bank which includes to accept new shareholders and new investment;
2. Merging or selling shares to other commercial bank which is stronger;
3. The assistance by the government and depositors' protection fund.

Article 24. Dissolution of Commercial Bank

A commercial bank, branch of the bank will be dissolved by voluntary will or by force according to the decision of the Bank of Lao PDR.

Article 25. Dissolution by Voluntary Will

The dissolution of commercial bank, branch of commercial bank by voluntary will is the dissolution on the basis of the decision of the shareholders' meeting or the board of directors. Such commercial bank shall have a sufficient financial position for liquidation.

A commercial bank which has the intention to dissolve its business operations shall complete the request file to submit to the Bank of Lao PDR for consideration. The request file is comprised of:

1. Application to dissolve, signed by the general managing director;

2. Resolution of the shareholders' meeting for the dissolution of the commercial bank and the decision of the board of directors' meeting for the dissolution of the branch of the commercial bank;
3. Statement on financial position which is obtained the certification from the external audit;
4. Liquidation plan;
5. Other documents as defined by the Bank of Lao PDR.

The Bank of Lao PDR will consider the application for dissolution within the period of thirty days from the date of receipt of the complete and correct application for dissolution onward.

The commercial bank which is received the authorization to dissolve shall publish regarding the authorization to dissolve to widely inform the public through the local and national level newspaper continuously for forty five days and shall establish a liquidation committee to take in charge of the liquidation process. The Bank of Lao PDR will appoint a supervisor to monitor the activities of such liquidation committee. It is prohibited to the commercial bank to continue to engage in business from the date that it receives the authorization to dissolve the bank onward.

Article 26. Dissolution by Force

The dissolution of the commercial bank by force is the dissolution according to the decision of the Bank of Lao PDR. In the cases as provided in points 2,3,4,5,7 and 8 of Article 80 of the Law on Commercial Bank.

The Bank of Lao PDR will withdraw the license of business operation and will appoint the liquidation committee. The liquidation shall carry out in accordance with regulations and procedures as provided in Article 74,75,76,77,78 and 79 of the Law on Commercial Bank.

Chapter VI Measures against the Violators

Article 27. Solution of the Violations

When there is a violation to regulations and the Law on Commercial Bank, it can be solved by a voluntary will or be imposed to an administrative sanctions as provided in Article 82,83,84,85,86 and 87 of the Law on Commercial Bank.

Article 28. Solution of the Violation by Voluntary Will

The measures to solve the violation by voluntary will is the solution of the violation by the commercial bank with the wide awake of the commercial bank itself by having a

recognition from the Bank of Lao PDR of which such violation is not under the responsibility of an individual and it is a minor violation.

The solution of violation with voluntary will includes 2 forms: resolution of the solution of issue of board of directors and a minute.

1. Resolution is the decision of the board of directors on the solution of the misconduct of the commercial bank including the determination of the method, time and the person who takes in charge of solution of the mistake which is revealed by the directors and such shall send to inform the Bank of Lao PDR.
2. Minute is a record of decision to solve the issue on violation between the board of directors of the commercial bank and the inspector of which there is a determination of terms of reference, time to be implemented and shall indicate the person who will be responsible in the implementation of such work. Such minute shall be signed for acknowledgement by the board of directors of the commercial bank and the inspector of the Bank of Lao PDR.

Article 29. Administrative Measures

The Bank of Lao PDR is the body to impose administrative measures to commercial bank which violates the rule on the general prudential requirements and regulations, laws concerned or in case it is deemed that the commercial bank does not solve the issues as provided in Article 28 of this Decree. In the use of the administrative measures against the commercial bank, the Bank of Lao PDR shall make in writing in order that the violated commercial bank to implement.

Chapter VII Final Provisions

Article 30. Implementation

The Bank of Lao PDR re-inspects all of commercial bank which are authorized to establish before the promulgation of the Law on Commercial Bank in order to compile the issues, define measures for solution and assign to the commercial bank to implement in accordance with the Law on Commercial Bank.

Commercial banks including branches of foreign banks shall establish a plan by having a determination of the terms of reference, time and method of the implementation to solve the issues which are not consistent with laws. Such plan shall receive the approval from the board of directors of the commercial bank then send to the Bank of Lao PDR for monitoring the implementation.

Commercial banks including branches of foreign bank which are established before the promulgation of the Law on Commercial Bank which have not improved to be consistent with the Law on Commercial Bank within the period as provided in law will be imposed to the administrative measures as provided in Article 82 of the Law on Commercial Bank.

Article 31. Effectiveness

This Decree is effective from the date of its signature onward. Any provisions and regulations which contradict to this Decree are hereby repealed.

The Prime Minister of the Lao PDR

[seal and signature]

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