



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 03/NA
26 December 2006

LAW ON COMMERCIAL BANKS

Part I
General Provisions

Article 1. Objective

This Law on Commercial Banks defines principles and regulations on the establishment, regulation and supervision of commercial banks located in the Lao People's Democratic Republic in order to promote commercial banks to have effective, transparent and stable operations so as to be able to provide financial resources for production and business, and to make an important contribution to the fiscal stability and socio-economic development of the nation.

Article 2. Commercial Bank

Commercial bank refers to an enterprise established under this law that engages in banking operations, namely, accepting deposits, extending credit, buying and selling foreign currencies, providing payment services and making investments.

Article 3. Definitions

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

1. Banking business refers to the currency business of accepting deposits and using such funds to extend credit, to buy and sell foreign currencies, to provide payment services or to make investments;
2. Provision of credit refers to the provision of any loan, the issuance of any guarantee, and the commitment to acquire a debt security or other

- right to payment of a sum of money, and others¹ as authorised by the Bank of the Lao PDR;
3. Deposit refers to a sum of money that a customer deposits in his account at a commercial bank;
 4. Capital refers to the net worth of a commercial bank, that is, the difference between its assets and liabilities in accordance with the balance sheet of the commercial bank;
 5. Credit documentation refers to the documents relating to an agreement entered into by a bank with any other person for the provision of credit, including financial statements of the borrower and any guarantor, a detailed description of any collateral, an assessment of the value of the assets used for collateral (if any), a statement of the terms of the credit, and other credit documents;
 6. Regulatory capital refers to the minimum capital required to be maintained by a commercial bank as defined by the Bank of the Lao PDR from time to time to ensure the stability of the commercial bank;
 7. Equity interest refers to any ownership right over registered capital, any voting right, any right to undertake certain activities² or any right to receive dividends;
 8. Principal shareholder refers to a person that owns directly or indirectly ten percent or more of any class of shares with voting rights;
 9. Significant interest refers to an interest derived from holding shares with voting rights, or [an interest] that makes it possible to exercise a significant influence over the management or policies of the [relevant] legal entity or undertaking;
 10. Capital distribution refers to a distribution of cash or other property by a commercial bank to its owners made on account of such ownership, but not including any distribution consisting only of shares of the commercial bank or rights to purchase such shares;
 11. Independent directors refers to members of a commercial bank's board of directors who are not administrators or managers of the commercial bank and who are not related to the principal shareholders or to other administrators of the commercial bank by family relationship, employment, or business interest;
 12. Branch office refers to a part of a domestic or foreign commercial bank that directly conducts all or some financial activities as assigned by such bank;
 13. Administrator refers to any member of the board of directors, the general managing director, the chief financial officer, or the head of a department³ of a commercial bank;

¹ The term “and others” is a literal translation and is not subject to further specificity.

² This phrase is intentionally broad.

14. A related person to a commercial bank refers to any administrator of the commercial bank, any principal shareholder of the commercial bank, any individual who is related to such administrator or principal shareholder by marriage, or by consanguinity to the second degree, any person who has any business interest with any administrator or principal shareholder, and any person who has a significant interest in a legal entity in which the commercial bank has a significant interest;
15. License refers to an authorisation issued by the Bank of the Lao PDR granting the right to engage in the banking and financial activities described in Articles 41 and 42 of this law to an applicant that wishes to establish a commercial bank;
16. An affiliate refers to a company in which a commercial bank holds sufficient shares to have the power to control the management of such company⁴;
17. Branch of a foreign commercial bank refers to a part of a foreign commercial bank authorised to conduct banking operations in the Lao PDR under the laws and regulations of the Lao PDR.

Article 4. State Policy on Commercial Banks

The State promotes and encourages domestic and foreign investors to establish and be involved in banking business by defining policies, regulations, and measures, and by providing data, information and other facilitation to strengthen the banking sector.

The State promotes commercial banks to invest and provide credit in order to support production, business, and creation of employment to increase the income of the people, and to develop a base for the industrialisation, modernisation, and socio-economic development of the nation.

Article 5. Protection of the Interests of Depositors

Commercial banks shall protect the interests of depositors by:

1. Being members of the depositors' protection fund;
2. Creating conditions to facilitate customers to deposit or withdraw their money, including principal and interest, completely and in a timely manner;

³ In the Lao language, the same word is used for “department” and “division”. The translators have chosen “division” because it is the English term preferred by the Bank of the Lao PDR when referring to commercial banks.

⁴ The translators are aware that this definition actually describes an entity that is more closely associated with the commercial bank (such as a subsidiary) than would usually be denoted by the term “affiliate”.

3. Keeping information relating to the accounts of customers confidential, except as otherwise provided in the laws;
4. Giving notice of rates of interest on deposits, rates of service fees, and exchange rates by various means.

Article 6. Equality in Business Operations

Commercial banks that are established or that have business operations in the Lao PDR shall be equal under the laws and shall cooperate and compete with each other to expand production and business.

The State uniformly regulates commercial banks based on laws and regulations and the State protects the rights and legitimate benefits of commercial banks.

The State will not allow commercial banks to compete illegally so as to cause damage to other commercial banks, the banking system or the fiscal and monetary policies of the State.

Article 7. Independence in Business Operations

Commercial banks shall have the independence to undertake their business operations under this law and other relevant laws.

Article 8. Scope of Operation of this Law

This law shall apply to commercial banks, including branch offices of foreign commercial banks that have any establishments and operations in the Lao PDR.

Article 9. International Cooperation

The State promotes international cooperation in the banking business in various forms, such as: the exchange and sharing of experience, information and technology, and the development of human resources, so as to strengthen the banking system in the Lao PDR so that it can be integrated at a regional and international level.

Part II
Establishment and Organisational Structure of Banks

Chapter 1
Establishment

Article 10. License Applications

Any person or⁵ organisation that wishes to establish a commercial bank shall submit an application to the Bank of the Lao PDR.

The application file shall include:

1. A business plan and organisational structure of the commercial bank;
2. Certificates of the financial status [of the principal shareholders] and other necessary documents relating to the principal shareholders;
3. Certificates relating to the qualifications and experience of the proposed administrators, including their business and professional history for the past five years;
4. A list of shareholders and their proportion of shareholding;
5. Requirements for internet banks as provided under Articles 59 and 60 of this law.

A foreign commercial bank that wishes to establish its branch offices or affiliates in the Lao PDR shall have the consent in writing of its home country supervisor.

The applicant shall pay fees in accordance with regulations.

The Bank of the Lao PDR has the right to request that an applicant submit additional information for its license application if, in the opinion of the Bank of the Lao PDR, the basic information submitted is incomplete or insufficient.

Article 11. License Decisions

After receiving an application, the Bank of the Lao PDR shall consider the application and respond to the applicant in writing within ninety days from the date of its receipt of the application for a license.

The Bank of the Lao PDR shall grant a preliminary license only if the applicant can satisfy the following conditions:

1. It has a good and reasonable business plan;

⁵ The Lao word is “and” but the meaning is clearly “or”.

2. It has documents to prove that it has sufficient capital as provided in Article 13 of this law;
3. The proportion of shareholding of its shareholders can be identified and is transparent;
4. The qualifications, experience, and integrity of its administrators and principal shareholders are appropriate for undertaking banking and financial business;
5. The investment license from the Committee for Planning and Investment⁶ has been granted.

The Bank of the Lao PDR will issue a permanent license to the applicant within 10 official working days after the applicant has fulfilled additional conditions. The additional conditions are as follows:

1. [The applicant] has a sound shareholders agreement and charter, and a reasonable feasibility study;
2. The shareholders have paid their portion of shares in full;
3. [The applicant] has sufficient qualified employees;
4. [The applicant] has facilities and premises to ensure its business operations;
5. [The applicant] has developed a comprehensive mechanism for internal audit and control.

If the applicant fails to comply, within 180 days, with the conditions mentioned in the third paragraph of this article, the preliminary license shall become void. In the event that the applicant has sound reasons for failure to comply with the conditions, the Bank of the Lao PDR may extend the term to comply with the conditions for another 90 days.

After receiving the final approval for a license, the applicant shall pay fees in accordance with regulations, register its enterprise in accordance with the Enterprise Law and undertake business operations within 180 days after receiving the enterprise registration certificate.

Article 12. Licensing Responsibility of the Bank of the Lao PDR

The Bank of the Lao PDR shall have the sole responsibility for issuing licenses to banks.

⁶ This is a ministry-equivalent agency under which is established the Committee for Promotion and Management of Investment (CPMI) referred to in the two investment laws, namely in Chapter 5 of the Law on Domestic Investment, and Chapter 6 of the Law on Promotion of Foreign Investment in the Lao People's Democratic Republic.

Article 13. Minimum Registered Capital and Minimum Investment Capital

A commercial bank established under this law shall have a registered capital of not less than one hundred billion Kip.

Each branch of a foreign commercial bank established in the Lao PDR shall have investment capital of not less than fifty billion Kip.

The government may adjust the registered or investment capital from time to time, but they shall not be less than the amount stipulated in this article.

Article 14. Charter⁷

Each commercial bank shall have a charter that shall specify:

1. Its corporate name and address;
2. Its purposes;
3. The amount of its registered capital;
4. The classes and amount of its authorised shares and voting rights;
5. Names, addresses, and nationalities of the founders⁸ of the commercial bank;
6. Its organisational structure;
7. [Procedures for] meetings and methods for voting;
8. [Methods for] the distribution of dividends;
9. [Methods for] dispute settlement;
10. Method of liquidation.

The charter of a commercial bank shall have legal effect only after it receives the written approval of the Bank of the Lao PDR.

Article 15. Scope of License

A license shall be granted for an indefinite period of time. The person who receives the license shall use it correctly and shall not assign or transfer or give it to any other person to use.

⁷ The Lao term translated as “charter” refers to the same concept translated as “bylaws” in the Enterprise Law.

⁸ The literal translation of this term is “the person that has established”.

Article 16. Keeping Data and Information on Establishment

The Bank of the Lao PDR shall keep data and information on the establishment of commercial banks for inspection by the public, which shall include:

1. Name and location of the headquarter and branch offices;
2. Registered capital;
3. Number and date of the license;
4. The scope of the business operations of the commercial bank.

In the event that the license of a commercial bank is revoked, the Bank of the Lao PDR shall delete [its] data and information from the file.

**Chapter 2
Organisational and Personnel Structures**

Article 17. Form of Commercial Banks

A commercial bank shall be established and operated as any form of company in accordance with the Enterprise Law, except a one-person limited company.

Article 18. Structures of Commercial Banks

The organisational and personnel structures of a commercial bank include:

- The shareholders' meeting;
- The board of directors;
- The committees of the board of directors;
- The general managing director;
- The chief financial officer;
- Managers.

Each commercial bank has a headquarter office, [and] may have branch offices, service units and representative offices in the country and overseas.

Article 19. Shareholders' Meetings

The shareholders' meeting⁹ is the highest organisation of a commercial bank. There are two types of shareholders' meetings: ordinary and extraordinary meetings.

The notification to the shareholders before the meeting, the quorum for the meeting, the agenda of the meeting, the method of voting, resolutions of the meeting, and modification and cancellation of any resolution of the meeting shall be in compliance with the Enterprise Law.

An ordinary shareholders' meeting shall be conducted within four months after the end of each accounting year. In the event that the board of directors fails to call the meeting, the Bank of the Lao PDR shall call a shareholders' meeting based on the request of shareholders. If there is no such request, the Bank of the Lao PDR can call a shareholders' meeting and that shareholders' meeting shall elect a chairperson to conduct the meeting.

Article 20. Rights and Duties of Ordinary Shareholders' Meetings

The ordinary shareholders' meeting shall have the following rights and duties:

1. To approve [any] modification to the charter of the commercial bank based on the proposal of the board of directors;
2. To appoint or remove the chairperson and deputy chairperson(s), and other members of the board of directors;
3. To approve allowances for meetings of the board of directors, and salaries, bonuses and other policies¹⁰ for administrators;
4. To approve the annual report, business plan, and report of the external auditors recommended by the board of directors;
5. To approve the proposed merger of the commercial bank, the sale of all or a substantial part of the commercial bank's assets, or the dissolution of the commercial bank, as recommended by the board of directors;
6. To approve the distribution of dividends and the establishment of funds¹¹, as recommended by the board of directors;
7. To exercise such other rights and perform such other duties as provided under the laws and regulations.

⁹ The term "shareholders' meeting" is used interchangeably in two senses. First, to refer to the "meetings held by shareholders". Second, to refer to the "body of shareholders" attending such meetings.

¹⁰ The term "policies" in this context takes the meaning of "privileges".

¹¹ This is a reference to the internal funds contemplated in Article 52 of this law.

An extraordinary shareholders' meeting has the right and duty to consider necessary and emergency issues, such as the amendment of the charter, or the increase or reduction of capital.

Article 21. Board of Directors

The board of directors of a commercial bank shall have five to seven members, some of whom may be independent directors.

The board of directors includes the chairperson, deputy chairperson(s), and certain members who are appointed or removed by the shareholders' meeting. The term of the office of the board of directors shall not exceed two years and [directors] may be reappointed.

The board of directors shall meet at least once every three months. The conduct of the meeting of the board of directors shall be in accordance with the charter of the commercial bank and with laws and regulations.

Article 22. Rights and Duties of the Board of Directors

The board of directors has the following rights and duties:

1. To elaborate on and implement resolutions of the shareholders' meeting;
2. To report on the operations of the commercial bank to the shareholders' meeting;
3. To explain, answer [questions regarding], and provide detailed information on the operations of the commercial bank to the shareholders' meeting;
4. To be responsible for damage caused to the commercial bank by their misconduct;
5. To recommend the division of profits into funds and the allocation of dividends to the shareholders' meeting for consideration;
6. To propose a business plan to the shareholders' meeting for consideration and approval;
7. To appoint the governance committee, internal audit committee and risk management committee of the board of directors;
8. To appoint, transfer or remove the general managing director and chief financial officer;
9. To approve the appointment of deputy general managing director(s), based on the recommendation of the general managing director;
10. To exercise such other rights and perform such other duties as provided in the charter of the commercial bank.

A member of the board of directors cannot assign [any] other person to perform his duties.

Article 23. Qualifications of Members of the Board of Directors

A member of the board of directors of a commercial bank shall meet the following qualifications:

1. Shall have legal capacity;
2. Shall have experience in the management of, and have knowledge of, the financial and banking business;
3. Shall not have been convicted by the court of [any] offence relating to fraud, deception, falsification of documents, taking or giving bribes, corruption or money laundering;
4. Shall not have been removed from office as administrator of any other legal entity, [shall not have been] adjudicated bankrupt by a court, [and shall not have been] an administrator of a legal entity that has been adjudicated bankrupt by a court;
5. If such person used to be the employee of the Bank of the Lao PDR, he shall have ceased his position at the Bank of the Lao PDR at least one year before taking the position of a member of the board of directors.

Article 24. Committees of the Board of Directors

The committees of the board of directors include a governance committee, a risk management committee and an internal audit committee. If deemed necessary, other committees can be established based on the approval of the board of directors.

Each committee has three members of the board of directors, where one person acts as the chairperson. If there is an independent director in such committee, he shall be the chairperson of the committee. A board member may be a member of several committees, but shall be the chairperson of only one committee.

Article 25. Rights and Duties of the Governance Committee

The governance committee has the following rights and duties:

1. To select individuals qualified to become directors in accordance with established criteria; and to recommend [them] to the shareholders' meeting for consideration;
2. To select individuals qualified to become the general managing director and the chief financial officer in accordance with established

criteria; and to recommend [them] to the board of directors for appointment;

3. To study the annual action plan of the board of directors;
4. To define requirements and plans for the evaluation of the activities of the board of directors and administrators;
5. To meet at least once every six months, or extraordinarily when convened by the board of directors;
6. To summarise and evaluate its annual performance;
7. To exercise such other rights and perform such other duties as assigned by the board of directors and shareholders' meeting.

Article 26. Rights and Duties of the Risk Management Committee

To avoid or reduce risks that may occur to the commercial bank, the risk management committee has the following rights and duties:

1. To establish policies and procedures for identifying, monitoring and managing credit, market, country, operational and other risks in accordance with the regulations issued by the Bank of the Lao PDR, to monitor their implementation, and to report to the board of directors thereon;
2. To monitor and report on compliance with the laws and regulations applicable to credit and other risks, and to report to the board of directors thereon;
3. To deliver opinions on any matters submitted to it by the board of directors or that it wishes to address;
4. To meet at least once a month, or extraordinarily when convened by the board of directors;
5. To summarise and evaluate its annual performance;
6. To exercise such other rights and perform such other duties as assigned by the board of directors and shareholders' meeting.

Article 27. Rights and Duties of the Internal Audit Committee

The internal audit committee shall have the following rights and duties:

1. To establish appropriate accounting procedures and accounting controls for the commercial bank in accordance with regulations issued by the Bank of the Lao PDR;
2. To develop a plan and budget for the commercial bank's internal audit;
3. To monitor the implementation of accounting activities, and, if it is deemed necessary, to employ an external audit;
4. To assess the quality of service of the external audit company, and the auditor's independence in relation to all relationships between the independent external auditor and the commercial bank;

5. To engage [external auditors], to determine the scope of the audit and to terminate the contract of the external auditors subject to the approval of the board of directors;
6. To discuss the annual audited financial statements and quarterly financial statements with relevant management and the independent external auditor;
7. To monitor the administrators' efforts to correct deficiencies described in an audit examination;
8. To obtain advice and assistance from outside legal, accounting and other advisors as it deems necessary;
9. To deliver opinions on the issues raised by the board of directors and administrators;
10. To inform the board of directors of its decisions on the matters described in items 1, 2 and 3 [of this article], or on other necessary matters;
11. To summarise and evaluate its annual performance;
12. To meet at least once every two months or as determined by the board of directors;
13. To exercise such other rights and perform such other duties as assigned by the board of directors and shareholders' meeting.

Article 28. General Managing Director

The general managing director is responsible for the day-to-day operations of the commercial bank in accordance with the rights and duties defined in the internal regulations of the commercial bank.

The general managing director is appointed or removed by the board of directors, has a term of office of two years, and may be re-appointed.

The general managing director can be a member of the board of directors, but shall not be the chairperson or a deputy chairperson of the board of directors.

Article 29. Rights and Duties of the General Managing Director

The general managing director shall have the following rights and duties:

1. To act as the representative of, and to sign contracts and other official documents on behalf of, the commercial bank;
2. To manage day-to-day operations of the commercial bank in accordance with the scope of his rights and duties defined in the internal regulations or as assigned by the board of directors ;
3. To develop and propose, or to propose adjustments to, the annual business plan to the board of directors for consideration and approval, and then to implement such plan;

4. To appoint or remove the deputy general managing director(s) and then to propose to the board of directors for approval;
5. To appoint or remove managers and to recruit and deploy the employees of the commercial bank;
6. To provide data and information and to give explanations on particular issues of interest to the board of directors;
7. To develop and improve governance regulations and to propose [them] to the board of directors for consideration and approval;
8. To be responsible to the board of directors for all operations of the commercial bank;
9. To recommend to the board of directors, for consideration and approval, the establishment of branches and affiliates or investments in other businesses;
10. To determine the salary structure for, and to implement reward policies or sanctions towards, the employees of the commercial bank, in accordance with the regulations of the commercial bank;
11. To cooperate with, and to provide data, information and explanations, to the internal audit committee and external auditor;
12. To report on the operations of the bank to the board of directors and its committees, and to provide explanations and necessary documents as required by concerned parties¹²;
13. To exercise such other rights and perform such other duties as provided under regulations¹³.

Article 30. Chief Financial Officer and Managers

The chief financial officer is responsible for the financial [and] accounting activities of the bank, shall be appointed or removed by the board of directors, shall have a term of office of two years, and may be re-appointed.

Detailed rights and duties of the chief financial officer and managers shall be defined under specific regulations on the management of commercial banks.¹⁴

¹² The term “concerned” is used in the sense of “relevant”. Here, there is a sense that such concerned parties may include persons outside the commercial bank.

¹³ The translators were unable to definitively resolve whether this is a reference to external, imposed regulations or to the internal regulations of the commercial bank.

¹⁴ In practice, the chief financial officer in Lao companies may not have the elevated position suggested by the title and is usually under the accountancy department head. The placement of the chief financial officer here in the same articles as managers may signal an aspiration to strength and elevate the roles of chief financial officers in the future.

Article 31. Establishment of Affiliates, Branches, Representative Offices and Service Units

A commercial bank may establish affiliates, branches and representative offices within the country or overseas, based on the approval of the Bank of the Lao PDR.

The establishment of service units by a commercial bank is based on the commercial bank's own consideration.

Article 32. Requirements for the Establishment of Affiliates, Branches, and Representative Offices

A commercial bank that wishes to establish an affiliate, branch or representative office shall meet the following conditions:

1. Have an effective governance structure and internal audit system;
2. Have a network system to receive or transfer data and information so as to ensure effective monitoring;
3. Have effectively implemented prudential requirements.

The requirements for the establishment of representative offices of foreign commercial banks shall be applied in accordance with the specific regulations of the Bank of the Lao PDR and the Law on the Promotion and Management of Foreign Investment in the Lao People's Democratic Republic¹⁵.

The detailed requirements for the establishment of, and the filing of an application to establish affiliates, branches, and representative offices are provided in specific regulations of the Bank of the Lao PDR.

**Part III
Banking Operations**

**Chapter 1
Conditions and Operational Requirements**

Article 33. General Prudential Requirements

To ensure soundness of operations, commercial banks shall implement the following prudential requirements:

¹⁵ Since 2004, this law has been re-titled the Law on the Promotion of Foreign Investment in the Lao People's Democratic Republic.

1. [They] shall conduct their administration and operations in accordance with sound administrative and accounting procedures, the requirements of this law, and regulations issued by the Bank of the Lao PDR;
2. [They] shall maintain adequate capital and sufficient liquid resources, and, with due regard to the nature of their business, shall ensure that their assets are managed on an ongoing basis and diversified as to risk of loss;
3. [They] shall have adequate regulations, mechanisms and procedures to identify their actual and prospective customers, and their customers' transactions.

Article 34. Internal Regulations

Each commercial bank shall be governed by internal regulations. The main contents of such regulations shall cover its organisational structure and management systems, including the roles, rights, duties and authority of its administrators, units and employees, and also including mechanisms for monitoring and control of, and reporting by, [such persons].

Each commercial bank shall submit to the Bank of the Lao PDR a duly certified copy of its charter, and a list of the officials of the commercial bank who are currently authorised to obligate the bank, together with their specimen signatures. When amendments are made to [any of] these documents, the amended document shall be filed with the Bank of the Lao PDR within five official working days after the amendment is made.

Article 35. Confidentiality

Present and past administrators, employees, and agents of a commercial bank shall keep the information of the commercial bank confidential. Disclosure or use of such information for personal gain or gain by anyone other than the commercial bank is prohibited, unless such disclosure is for the benefit of the commercial bank itself. Confidential information may be disclosed only to the Bank of the Lao PDR, the auditors or other competent authorities as provided by the laws and regulations.

Article 36. Prevention and Countering of Money Laundering

Commercial banks shall determine measures to prevent and counter money laundering in accordance with the laws and regulations.

Article 37. Disclosure of Conflicts of Interest

An administrator of a commercial bank shall disclose in detail to the board of directors his activities and the activities of [any] person related to him where [he or such related person] has an interest relating to the commercial bank.

Where an administrator has a material interest in, or a material relationship relating to a matter being considered in a meeting, he shall leave such meeting.

Where an administrator fails to disclose a material conflict of interest in accordance with this article, the commercial bank, or a bank shareholder has the right to bring a case in court to cancel the contract and, at the same time, the Bank of the Lao PDR may suspend the administrator from office, and remove the administrator from office after the court delivers its decision.

Article 38. Responsibility of Administrators and Employees

Administrators and employees of commercial banks shall assume strict responsibility¹⁶ in implementing their work and shall place the customers' interests and the commercial banks' interests above their own.

Commercial banks shall use appropriate measures¹⁷ on administrators or employees who have caused damage to the commercial bank or its customers.

Article 39. Service Hours¹⁸

Commercial banks shall notify their service hours to their customers, and they shall not stop operations within such period[; commercial banks] shall inform their customers at least 24 hours [in advance], if they wish to stop their operations.

Article 40. Types of Banking Operations

Banking operations include two types:

1. Banking business;
2. Financial business.

¹⁶ The literal translation of this term is “high responsibility”.

¹⁷ The term “measures” is often used as an indirect way of referring to “sanctions”.

¹⁸ The literal translation of this term is “time of service”.

Article 41. Banking Business

Banking business includes:

1. Receiving deposits in the form of demand deposits, savings deposits, three-month, six-month or one-year deposits, and deposits for more than a year, [whether] bearing interest or not;
2. Extending credit in the form of short-, medium-, and long-term loans; discount purchasing and undertaking of discount purchasing of negotiable instruments; and provision of guarantee facilities. The provision of credit in other forms shall be approved by the Bank of the Lao PDR;
3. Providing payment and collection services;
4. Issuing and administering means of payment such as checks, and payment cards¹⁹;
5. Buying and selling foreign currencies;
6. Providing safekeeping services for documents and precious items.

Article 42. Financial Business

In undertaking financial business, a commercial bank may engage in the following activities:

1. Issuing, buying and selling debt securities;
2. Money broking;
3. Undertaking insurance business;
4. Financial leasing;
5. Providing services as a financial consultant;
6. Providing services as an investment portfolio manager and investment adviser;
7. Underwriting and distributing debt and equity securities, and dealing in equity securities; and
8. Such other financial activities relating to securities transactions as the Bank of the Lao PDR shall determine by regulation.

Article 43. Prohibitions on Business Activities

A commercial bank must not:

1. Enter into collusive agreements, transactions, or practices that would provide it, alone or together with others, a position of dominance in the money, capital or foreign exchange markets;

¹⁹ This term is broad enough to cover debit cards and credit cards.

2. Engage in manipulative devices or practices in its transactions that result in an unfair advantage for itself and for third parties;
3. Set, or require any person or organisation to fulfil, any illegal condition to receive the services of the commercial bank or its affiliate(s);²⁰
4. Purchase from an affiliate of the commercial bank: (i) assets of that affiliate; or (ii) securities underwritten, placed or distributed by that affiliate within the past year;
5. Provide any credit enhancement for, or extend any credit to facilitate, the purchase of securities underwritten, placed or distributed by it or its affiliate(s).

Article 44. Prudential Requirements

Each commercial bank shall observe the following measures as provided by regulations of the Bank of the Lao PDR:²¹

1. Levels of ratios and exposures concerning its assets, risk-weighted assets, off-balance sheet items and various categories of capital and reserves;
2. The maximum aggregate amount of credits, expressed as a percentage of its regulatory capital, that may be committed or outstanding to or for the benefit of any single person, group of interrelated persons, or persons related to the bank;
3. The maximum aggregate amount of credits, expressed as a percentage of the aggregate amount of total credits, committed or outstanding to or for the benefit of large clients;
4. The minimum liquidity level relative to the value of its assets, any change therein, and [any] change in its debt, and [also] in proportion to its compulsory deposit at the Bank of the Lao PDR;
5. Requirements concerning the maximum aggregate amount of real estate investments, or specific categories thereof;
6. Assessment of assets, classification of assets and debt and provisioning [for bad loans];
7. Comply with prohibitions, restrictions or conditions concerning credit extended[,] equity investments made, market risks[,] unhedged positions in foreign currencies, and others;
8. No commercial bank shall make a capital distribution, if after making the distribution, the commercial bank would have less than the minimum regulatory capital as defined by the Bank of the Lao PDR;

²⁰ For readability, the structure of this sentence has been modified.

²¹ The translators are aware that not all the items in this list are phrased as “measures”.

9. No commercial bank shall engage directly in industry, commerce, or services other than financial and banking activities;
10. No commercial bank shall extend credit secured by its own equity securities;
11. No commercial bank shall purchase its own equity securities, if the commercial bank has, or would have after the proposed transaction, less than the minimum regulatory capital.

Article 45. Corporate Records and Records of Transactions

Each commercial bank shall prepare and maintain at its head office written records containing:

1. Its charter and internal regulations and all amendments thereto;
2. A register of its shareholders;
3. Minutes of meetings and resolutions of the board of directors;
4. Minutes of meetings and resolutions of the shareholders;
5. Accounting records exhibiting clearly and correctly the state of its business affairs, its transactions, and financial condition;
6. Records showing on a daily basis for each customer particulars of transactions with or for the account of that customer, and the balance owed to or by that customer;
7. Such other records as are required by this law and by regulations of the Bank of the Lao PDR.

Article 46. Notification of Terms and Conditions

Each commercial bank shall regularly notify its customers, in accordance with regulations issued by the Bank of the Lao PDR, of the terms and conditions associated with the buying and selling of foreign currencies, and with the deposits made and credit received by them, including the compound annual interest rate.

Article 47. Non-Preferential Transactions with Related Persons

A commercial bank shall not enter into a transaction with or for the benefit of any person related to the commercial bank, such as provision of credit, buying of financial assets, procurement of goods and services, and business investments.

In the event that the related person has commenced any transaction with the commercial bank, he should be able to continue with it, but there shall not be any preferential treatment and [such transactions] must be disclosed to shareholders and to the Bank of the Lao PDR.

Article 48. Shareholding

The holding or transfer of common shares constituting more than ten percent in a commercial bank, including a merger of banks, shall require the written authorisation of the Bank of the Lao PDR.

A commercial bank that has a strong financial position can hold an equity interest in a legal entity that is not a financial business or a bank. The shares held in the legal entity must not exceed 15% of the commercial bank's regulatory capital and must not exceed 20% of the voting shares of that entity. However, the aggregate shareholding of the commercial bank in other businesses must not exceed 8% of its risk-weighted assets.

Article 49. Mergers, Acquisitions and Sales of Assets

A commercial bank may undertake a merger, acquisition, or purchase-sale of substantial assets in accordance with a resolution of the shareholders' meeting, and shall require the prior written authorisation of the Bank of the Lao PDR.

In the event that the purchase of shares and sale of assets is in an amount less than the amount described in the regulations of the Bank of the Lao PDR, an approval shall not be required.

Chapter 3
Accounts, Audits and Financial Disclosure

Article 50. Accounts and Financial Statements

A commercial bank shall maintain accounts and accounting data and shall prepare annual financial statements adequate to reflect its operations and financial condition in accordance with accounting standards.

Accounts and financial statements shall be in such form and detail and in accordance with such accounting standards as shall be provided by the regulations of the Bank of the Lao PDR.

Article 51. Income and Expenditure of Commercial Banks

The income and expenditure of a commercial bank are:

1. Income:
 - Interest;
 - Dividends;
 - Service fees;

- Other income in accordance with regulations.

2. Expenditure:

- Interest;
- Fees;
- Administrative and technical costs;
- Depreciation of assets;
- Depreciation of immovable property;
- Risk reserve fund;
- Other expenditures in accordance with regulations.

The board of directors shall approve the income-expenditure plan of the commercial bank based on the recommendation of the general managing director in accordance with the laws and regulations.

Article 52. Profit and Loss

The profit of a commercial bank is the annual positive balance of the income and expenditure of the commercial bank. The net profit is the profit after deduction of tax.

The commercial bank shall allocate [part of its] net profit to the following:

- Regulatory reserve fund;
- Business expansion fund and other funds.

The proportion to be allocated to each fund shall be decided by the shareholders' meeting in accordance with the laws and regulations, and after that, [profit] can be distributed as dividends to the shareholders.

The loss of a commercial bank is the annual negative balance of the income and expenditure of the commercial bank. In the event that the commercial bank makes a loss, the commercial bank is allowed to use the regulatory reserve fund. If the regulatory reserve fund is insufficient, the commercial bank shall increase its financial resources in accordance with the resolution of the shareholders' meeting.

Article 53. Transfer of Profits, Dividends, and Other Assets out of the Lao PDR

Foreign commercial banks and foreign shareholders conducting business operations in the Lao PDR shall be entitled to transfer their dividends and profits out of the Lao PDR after they have fulfilled financial obligations and made payment to the regulatory reserve fund in accordance with the laws and regulations of the Lao PDR.

Foreign commercial banks and foreign shareholders conducting business operations in the Lao PDR shall be entitled to transfer their assets out of the Lao PDR after they have terminated their business operations and completed the liquidation of their business.

Article 54. Accounting System and Accounting Year

Commercial banks shall comply with the accounting system in accordance with the laws and the regulations issued by the Bank of the Lao PDR.

The accounting year of each commercial bank shall commence on 1 January and end on 31 December of each calendar year.

Article 55. Internal Audit

Each commercial bank shall establish and maintain an internal audit and control function that shall ensure that:

1. Records accurately reflect transactions and dispositions of assets;
2. The preparation of financial statements follows applicable accounting principles;
3. Income and expenditures are in accordance with the authority of the concerned administrator;
4. Unauthorised acquisition, use, or disposition of assets is prevented or detected in a timely manner.

Article 56. External Audit

Each commercial bank shall be audited by an independent external auditor who shall:

1. Assist it in maintaining proper, correct and complete accounts and records;
2. Provide an audit opinion as to whether the financial statements present a full and fair view of the financial condition of the commercial bank;
3. Review the adequacy of the internal audit and control practices and procedures, and make recommendations for remediation;
4. Report to the Bank of the Lao PDR regarding any fraudulent act by any administrator or employee of the commercial bank or any of its affiliates, or regarding any irregularity or deficiency in its administration or operation that would be expected to result in material loss to the commercial bank or to any affiliate of the commercial bank.

Article 57. Publication and Disclosure

Each commercial bank shall publish reports of its financial situation as follows:

1. Within thirty days of the end of each calendar quarter, publish and disseminate in a national newspaper a fair summary of its unaudited quarterly balance sheet as at the end of the previous calendar quarter;
2. Within four months of the end of its financial year, publish and disseminate in a national newspaper its financial statements, an annual report on its operations and an auditor's opinion;
3. Provide copies of its annual report to the public on request without charge.

Article 58. Publication of Reports of Branches of Foreign Commercial Banks

Within thirty days of the end of each calendar quarter, branch offices of foreign commercial banks shall publish balance sheets and income statements on an individual basis.

Their financial statements may also be published on a consolidated basis.

**Chapter 4
Electronic Banking**

Article 59. Access to Electronic Information

Commercial banks that are authorised to provide electronic banking shall create conditions for their customers to access their accounts through computers by proprietary software or through the internet, and to permit customers to transfer funds between accounts, initiate payments and apply for credit through the computer.

Commercial banks that permit computer access must:

1. Provide their customers with a privacy policy statement;
2. Permit such customers to opt out of information sharing concerning them by such commercial banks with their affiliates or with non-affiliated third parties;
3. Have appropriate systems to maintain the security of their own internet and computer system.

Article 60. Internet Banks

Internet banks may be established that provide services to customers through electronic service systems, but that have no physical offices.

Internet banks must have adequate systems to identify, monitor, and control the transaction risks from their use of technology.

Internet banks must have adequate security for their internet platforms.

Internet banks may provide operational functions themselves or contract with third-party service providers who shall be under the supervision of the Bank of the Lao PDR. Internet banks may collect fees from their customers that use the services of third parties.

Regulations on the operations of electronic banks and internet banks shall be provided in specific regulations.

**Part IV
Supervision and Inspection**

Article 61. Supervision and Inspection Authority

The government centrally and uniformly administers the establishment and supervises the operations of commercial banks by assigning the Bank of the Lao PDR to be the central authority for such supervision and inspection. The supervision and inspection authority comprises:

1. The Bank of the Lao PDR;
2. The branches of the Bank of the Lao PDR.

Article 62. Rights and Duties of the Bank of the Lao PDR

In administering commercial banks, the Bank of the Lao PDR has the following rights and duties:

1. To define strategies, policies and the development plan for the banking system;
2. To issue regulations to elaborate on the strategies and policies relating to banking activities;
3. To disseminate, instruct, support and monitor the implementation of laws and regulations relating to banking activities throughout the country;
4. To administer commercial banks throughout the country;
5. To issue and cancel licenses of commercial banks;

6. To use measures to prevent conduct that infringes the laws and regulations relating to banking activities;
7. To train and upgrade technical personnel in [the field of] banking;
8. To coordinate and cooperate with concerned sectors²² in the implementation of its activities;
9. To coordinate and cooperate with foreign countries and international organisations, and to sign or participate in international banking conventions or treaties as assigned by the government;
10. To report on the result of its performance to the government;
11. To exercise such other rights and to perform such other duties as provided in the laws and regulations.

Article 63. Rights and Duties of Branches of the Bank of the Lao PDR

Branches of the Bank of the Lao PDR exercise rights and perform duties relating to the administration of commercial banks as assigned by the Bank of the Lao PDR, and details will be provided in specific regulations.

Article 64. Rights and Duties of Inspectors from the Bank of the Lao PDR

Inspectors from the Bank of the Lao PDR have the following rights and duties:

1. To inspect the implementation of regulations on prudential requirements, and [the implementation of] laws and regulations relating to commercial banks;
2. To examine the accounts, books, documents, electronic data, and other records of commercial banks or their affiliates;
3. To require administrators, employees and agents of commercial banks or their affiliates to provide all information on any matter relating to their administration and operations;
4. To enter any premises where a violation of this law or regulations hereunder is suspected to have been committed and to seize documents or other property connected with the suspected commission of the violation;
5. To meet with boards of directors and administrators of the commercial banks once every six months in order to assess the implementation of this law and other relevant regulations.

²² The term “sector” is used in many Lao laws to refer to the cluster of government ministries or agencies engaged in a particular activity.

Article 65. Reports of Commercial Banks

Each commercial bank shall comply with the regime for reporting to the Bank of the Lao PDR in order to allow the Bank of the Lao PDR to monitor its activities, as follows:

1. Report, in accordance with the reporting regime, on the management, operations and financial situation of the commercial bank and its affiliates;
2. Report in accordance with the demands of the Bank of the Lao PDR, such as: report on the affiliates of the commercial bank, its technical service providers and other persons undertaking activities on behalf of the commercial bank, and, if deemed necessary, such persons should provide information about their activities and about their relationship [with the commercial bank] and others.

Article 66. Supervision of Commercial Banks within the Country

Commercial banks, affiliates, branches and representative offices of foreign commercial banks operating in the Lao PDR shall be under the supervision of the Bank of the Lao PDR or of inspectors appointed by the Bank of the Lao PDR.

If the supervision is supervision of affiliates, branches or representative offices of foreign commercial banks, the inspectors appointed by the Bank of the Lao PDR may include inspectors from a supervision authority of the foreign country where the headquarters of such commercial bank is located. The supervision authority of the country where such commercial bank is located may undertake such supervision as well.

The Bank of the Lao PDR shall supervise affiliates, branches and representatives offices of foreign commercial banks in the Lao PDR on the same basis as commercial banks organised in the Lao PDR.

Commercial banks, affiliates, branches and representative offices of foreign commercial banks that are under supervision shall fully cooperate with the inspectors from the Bank of the Lao PDR or inspectors who are appointed by the Bank of the Lao PDR²³.

It is prohibited for any person or organisation to cause difficulties, or to prevent the supervision by the Bank of the Lao PDR.

²³ Inspectors may either be employees of the Bank of the Lao PDR or external parties appointed by the Bank of the Lao PDR, hence the two categories here.

Article 67. Cross-Border Supervision

The Bank of the Lao PDR shall exercise consolidated supervision over affiliates, branches, and representative offices of Lao commercial banks located abroad.

In undertaking such supervision, the Bank of the Lao PDR may communicate and exchange information with foreign financial sector supervisors and law enforcement authorities.

Article 68. Annual Supervision Fee

Each commercial bank shall pay an annual supervision fee to the Bank of the Lao PDR in accordance with regulations.

Article 69. Claims against the Bank of the Lao PDR

A commercial bank has the right to bring a claim before a competent court against the Bank of the Lao PDR, or officials or representatives of the Bank of the Lao PDR if they infringe this law and cause damage to the commercial bank. The action will not stop the activities of the Bank of the Lao PDR relating to the claim, except where there is a court order to stop such activities that may cause substantial loss to the commercial bank.

**Part V
Bankruptcy²⁴**

**Chapter 1
Rehabilitation and Bankruptcy**

Article 70. Rehabilitation of Commercial Banks

If a commercial bank is facing financial difficulties or lack of liquidity that may lead to bankruptcy, the Bank of the Lao PDR may consider rehabilitating the commercial bank in question based on the proposal of its creditors, the commercial bank [itself], or inspectors from the Bank of the Lao PDR.

²⁴ The Lao term “bankruptcy” refers to the status of having legally been adjudicated bankrupt. There is a second Lao term “state of bankruptcy”, where the addition of the words “state of” in front of the word “bankruptcy” is intended to make a distinction between factual insolvency (in Lao: the “state of bankruptcy”) and the status of having legally been adjudicated bankrupt (in Lao: simply “bankruptcy”). In other laws, the translators have translated the second Lao term as “insolvency”. In this law, only the first Lao term is used.

Article 71. Rehabilitation Process

After it determines to rehabilitate a commercial bank, the Bank of the Lao PDR shall appoint a rehabilitation committee to take control of the commercial bank in order to rehabilitate such commercial bank within three months after the appointment of the committee. If deemed necessary, such time can be extended for another three months, but shall not exceed one year.

During the rehabilitation process, the commercial bank may undertake business operations but has to comply with the plan for rehabilitation.

Article 72. Rights and Duties of the Rehabilitation Committee

The rehabilitation committee has the following rights and duties:

1. To direct the board of directors and administrators of the commercial bank to develop and implement a rehabilitation plan;
2. To order the commercial bank to stop any activity that is not in conformity with the rehabilitation plan and any operations that may cause damage to the commercial bank;
3. To order the board of directors or administrators to remove any employee who infringes laws and regulations, and does not comply with the rehabilitation plan;
4. To request the Bank of the Lao PDR to extend or terminate the rehabilitation;
5. To be responsible for its activities in the rehabilitation;
6. To regularly report its activities to the Bank of the Lao PDR;
7. To exercise such other rights and perform such other duties as assigned by the Bank of the Lao PDR.

Article 73. Banking Bankruptcy

If, after undergoing the rehabilitation process, the concerned commercial bank cannot undertake normal banking operation, for instance where the bank cannot pay its debts completely and in a timely manner or where the value of its assets or capital is less than a quarter of the regulatory capital, then the Bank of the Lao PDR shall bring an action before the court to issue an order of bankruptcy.

After the court delivers its decision adjudicating the concerned bank as bankrupt, the Bank of the Lao PDR shall appoint a liquidation committee.

Article 74. Liquidation Committee

Members of the liquidation committee may come from the Bank of the Lao PDR or may be persons from concerned sectors, whether from the public or

the private sector, or who meet the requirements and qualifications prescribed by regulations of the Bank of the Lao PDR.

Article 75. Rights and Duties of the Liquidation Committee

The liquidation committee shall have the following rights and duties²⁵:

1. To have all the rights and duties of the administrators and shareholders of the commercial bank;
2. To continue any operations, other than taking deposits, extending credit, and making payment relating to contracts or other transactions that it deems necessary to stop;
3. To have access to and control over the offices, books of account and other records, and other assets of the commercial bank or its affiliates;
4. To protect the assets of the commercial bank against losses;
5. To make a list of creditors and debtors, and to make an inventory of the assets and property of the commercial bank and transmit a copy thereof to the Bank of the Lao PDR, which shall make a copy available for examination by the public;
6. To determine the amount that may be withdrawn by depositors or used to make payment to creditors as appropriate;
7. To cancel contracts made by the commercial bank that are illegal;
8. To report each month to the Bank of the Lao PDR on the progress of the liquidation process;
9. To exercise such other rights and perform such other duties as provided by the laws and regulations.

If the liquidation committee infringes laws and regulations in the implementation of its rights and duties as provided above, it shall be subject to removal from its position and to discipline by the Bank of the Lao PDR.

Article 76. Effects of Liquidation

The effects of the liquidation of a bankrupt commercial bank are as follows:

1. Rights of the commercial bank deriving from laws, contracts or others that have been or will be terminated shall be extended for another six months after the date of the appointment of the liquidation committee;
2. The seizure or taking of security over property or other assets of the commercial bank during the liquidation shall be cancelled, except a seizure or taking of security which has occurred six months before the

²⁵ The translators are aware that some of the rights listed in this article appear to connote a process of administration or management rather than outright liquidation.

Bank of the Lao PDR brought the action of bankruptcy before the competent court²⁶;

3. The rights of shareholders shall be cancelled, except the right to receive distribution of proceeds after the liquidation.

Article 77. Cost of the Liquidation

The cost of the liquidation shall be borne by the bankrupt commercial bank based on its actual property, [and based] on the consideration of the liquidation committee.

Article 78. Priority of Payments

The priority of payments by a bankrupt commercial bank shall be as follows:

1. Payments relating to the liquidation process;
2. Payment to depositors;
3. Salary and wages of employees or workers of the commercial bank;
4. Non-contractual obligations to the State;
5. Secured debt;
6. Unsecured debt;
7. Distribution to shareholders.

Article 79. Final Reporting to the Bank of the Lao PDR

After the completion of the liquidation of the commercial bank, the liquidation committee shall provide a report to the Bank of the Lao PDR and the concerned office of judgment enforcement.

After the Bank of the Lao PDR receives such report, the duties of the liquidation committee shall be terminated and the liquidation shall be complete.

Article 80. Termination and Withdrawal of License

The Bank of the Lao PDR shall terminate or withdraw the license of a commercial bank under the following conditions:

1. Based on the request of the commercial bank itself in accordance with a resolution of the board of directors;

²⁶ The translators are aware that the exception is not required because, in any event, the preceding sentence does not, on its face, affect any security or seizure before the liquidation committee was appointed.

2. Regulations have been infringed, as provided in Article 82 of this law;
3. The license was based on incorrect information and data;
4. Operations were not undertaken within ninety days after receiving the license;
5. Another legal entity that has a substantial interest in the commercial bank has had its license withdrawn;
6. There is a merger that causes the loss of its legal identity, or there is a sale of the commercial bank;
7. The operations of the commercial bank during the first three years are not in accordance with the business plan, without appropriate reasons;
8. In the case of a branch office of a foreign commercial bank established in the Lao PDR, its headquarter office has had its license removed in its home country.

When the license of a commercial bank is terminated or removed, the Bank of the Lao PDR shall appoint a committee for its winding-up.

Part VI

Policies toward Persons With Outstanding Achievement and Measures Against Violators²⁷

Article 81. Policies toward Person with Outstanding Achievement

Persons or organisations that have outstanding achievements in banking operations, that have substantially contributed to the promotion of banking operations, [or]²⁸ that have prevented the infringement of laws and regulations in the banking sector will be rewarded and receive other policies as provided by regulations.

Article 82. Measures against Violators

Commercial banks, and administrators, principal shareholders and employees of commercial banks who violate this law or regulations issued by the Bank of the Lao PDR, shall be subject to the following measures:

1. If it is a minor violation:
 - 1.1 Such person shall be warned in writing;

²⁷ The term “policies” is often used as an indirect way of referring to “incentives” or “privileges” and the term “measures” is often used as an indirect way of referring to “sanctions”.

²⁸ In Lao, the word is “and”.

- 1.2 [Such person] shall be fined as provided in the regulations issued by the Bank of the Lao PDR.
2. If a violation continues after such person has been subject to measures as prescribed in paragraph 1 of this article or if there is a serious violation:
 - 2.1 The commercial bank, administrators or shareholders of the commercial bank shall be fined from 1,000,000 Kip to 10,000,000 Kip;
 - 2.2 Administrators shall be suspended or removed;
 - 2.3 The commercial bank shall be ordered to restrict fund-raising or extension of credit;
 - 2.4 The license of the commercial bank shall be removed and the commercial bank shall be wound up;
 - 2.5 [Such person] shall be subject to legal proceedings.

Article 83. Violation of the Regulations on Minimum Regulatory Capital

In addition to the measures provided in Article 84 of this law, the Bank of the Lao PDR may use the following measures against a commercial bank that violates the regulations on minimum regulatory capital:

1. Require that the average total assets of the commercial bank during any calendar quarter shall not exceed its average total assets during the preceding calendar quarter;
2. Require that the commercial bank not acquire any equity interest in any legal entity or undertaking, establish or acquire any additional branch office, or engage in any new line of business;
3. Require that the commercial bank not grant any extension of credit to an affiliate unless such credit is collateralised by marketable securities issued or guaranteed by the government of the Lao PDR, held in custody by an escrow agent, whose market value exceeds at all times 125 percent of the amount of the credit;
4. Require the commercial bank or its branch offices to alter, reduce, or terminate any activity that the Bank of the Lao PDR determines has caused material losses to the commercial bank;
5. Require the commercial bank to dismiss administrators who have not behaved appropriately and who have held office for more than one hundred and eighty days immediately before the commercial bank became undercapitalised, as determined by the Bank of the Lao PDR;
6. Require that the commercial bank divest itself of or liquidate any affiliate if the Bank of the Lao PDR determines that the affiliate is in danger of becoming bankrupt or has caused material loss to the commercial bank;

7. Require that no administrator receive any bonus or receive compensation during the year when the commercial bank violates the regulations on minimum regulatory capital.

Article 84. Violations Relating to the Extension of Credit

Members of the board of directors, except those who have filed a written objection against the proposed credit, shall be jointly and severally liable for losses sustained by a commercial bank from any credit extended in violation of limits on lending under Article 44 (2) and (3) of this law.

Article 85. Violations by Individuals and Organisations

Any individual or organisation that commits an act as provided in this article of the law shall be fined from 5,000,000 Kip to 50,000,000 Kip, or shall be subject to legal proceedings depending on the severity of the case, as follows:

1. Engaging in the business of a bank without an effective license issued by the Bank of the Lao PDR;
2. Using the word "bank" or derivatives of the word "bank" in respect of a business, product, or service without an effective commercial banking license issued by the Bank of the Lao PDR, unless it shall be clear from the context in which the word "bank" is used that it does not concern financial activities;
3. Making a misstatement of material facts or false representation or doing anything to create a false appearance or engaging in any manipulative device or practice in relation to the taking of deposits;
4. Giving an exemption to a commercial bank in the implementation of requirements of this law or other regulations.

Article 86. Violation of Accounting Regulations

Any administrator or concerned person of a commercial bank who wrongly creates or records, or who falsifies or destroys, any account of the commercial bank or its customers shall be punished by imprisonment of three months to one year and shall be fined from 200,000 Kip to 2,000,000 Kip.

In the event that such person of the commercial bank who wrongly creates or records, or who falsifies or destroys, any account of the commercial bank or its customer thus causes substantial damage, [such person] shall be punished by imprisonment of one year to five years and shall be fined from 500,000 Kip to 10,000,000 Kip.

Article 87. Provision of Incorrect Information

An act of any person who reports or provides incorrect information that is important for the bank to provide credit shall be regarded as a criminal offence and [such person] shall be punished by one year to five years imprisonment and shall be fined from 200,000 Kip to 5,000,000 Kip,

**Part VII
Final Provisions**

Article 88. Implementation

The government of the Lao PDR shall issue a decree to implement this law.

Article 89. Effectiveness

This law shall enter into force one hundred and twenty days from the promulgating decree issued by the President of the Lao PDR.

Commercial banks established before the promulgation of this law shall make adjustments to comply with this law within three years after this law enters into force.

Regulations or provisions that contradict this law are null and void.

Vientiane, 26 December 2006
President of the National Assembly

[Seal and Signature]

Thongsing THAMMAVONG