

LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

The Bank of the Lao PDR

No. 08/BOL

REGULATIONS ON FOREIGN CURRENCY EXPOSURE

Unofficial Translation
(IMF Office, Vientiane)

- Based on the Article No.5 (point 5.1) of the Law on establishment of the Bank of the Lao PDR No.05/NA dated October 14, 1995;
- In accordance with the Article No.15 and 18 of the Prime Minister's Decree No.03/PM of January 23, 1992;
- Based on the proposal of Audit Department of the Bank of the Lao PDR.

The Governor of the Bank of the Lao PDR has defined as follows:

Article 1

Commercial banks and financial Institutions shall maintain the net foreign exchange positions as follows:

- The net open position in any single currency shall not exceed 15 percent of the bank's unimpaired capital and reserves;
- The aggregate net open position in all currencies shall not exceed 20 percent of the bank's unimpaired capital and reserves.

Article 2 Definitions

- 2.1 The term "net open position" means the difference between assets and liabilities in a particular currency, including off-balance sheet commitments.
- 2.2 The term "net long position" means that the assets in a particular currency exceed the liabilities in that currency, including off-balance sheet commitments.
- 2.3 The term "net short position" means that the assets in a particular currency are less than the liabilities in that currency, including off-balance sheet commitments.
- 2.4 The term "aggregate net open position" means the larger of the sum of all net long positions in foreign currencies or the sum of all net short positions in foreign currencies expressed as an absolute value.

Article 3

Any commercial banks or financial institutions which have a net long position in a particular currency in the form of cash or bank deposits, shall sell that currency to the BOL. The net long position in other forms should be handled appropriately.

Article 4

The aggregate net open position of the commercial banks shall be evaluated or revalued at end-month. Any losses made from the actual currency purchasing and selling or non-purchase-sales operations shall be written out to the expenditure item. Any gains made from the actual currency purchasing and selling or non-purchase-sales operations shall be written out to the income item of banks.

Article 5

Commercial banks and financial Institutions shall truly and regularly report to the Bank of the Lao PDR and use the form set by the BOL.

Article 6

Any violation of the present Regulations by commercial banks or financial institutions shall be penalized according to the rules of the BOL.

Article 7

The present Regulations will be effective from the date of signature (May 7, 1996).

Vientiane, May 7, 1996
Acting Governor of the BOL

Pany Yathotou