

LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 01/NA

**DECREE LAW OF THE PRESIDENT OF THE LAO PDR
ON COMMERCIAL BANKS**

- Based on the constitution of the Lao People's Democratic Republic Part V, Article 53b;
 - Based on the law on the Bank of the Lao PDR No. 5 dated October 14, 1995;
 - Based on the law on Business No. 5 dated July 18, 1994;
 - Based on the proposal of the permanent committee of the National Assembly.
- The President of the Lao People's Democratic Republic issues a decree law as follows:

Part I
General Provisions

Article 1 Functions of the Decree Law on Commercial Banks

The decree law on commercial banks shall determine its stance, role, rights and duties, the organizations and operations of the commercial banks aiming to ensure the implementation of the monetary policy, financing manufacturing and services activities, adjusting the money supply in the society, dealing with international foreign exchange transactions, contributing to the socio-economic development of the Lao PDR.

Article 2 Commercial Banks

A commercial bank is a financial institution with specific characteristics reporting to the Bank of the Lao PDR and carrying out full service such as accepting deposits, extending credits and giving other financial services domestically and internationally.

There are many types of commercial banks: development banks, investment banks, trading banks, savings banks and specialized commercial banks, including branches of foreign banks. These banks may operate as private banks, under state jurisdiction, under state-private joint venture or joint venture banks domestically and foreign owned.

Commercial banks may be established according to the economic sectors such as agricultural banks, industrial banks and other specialized banks.

Article 3 Legal Entity

A commercial bank has a legal entity, has equal rights before the law and enjoy the protection of the law and operate according to their respective roles to compete for the business of their customers and must respect the laws, orders and regulations of the Lao PDR and other policies set out by the government.

Article 4 Office of Representative of a Commercial Bank

A licensed office of representative of a foreign commercial bank in the Lao PDR may provide only services of the foreign commercial bank or financial institution that it is representing. It is not authorized to conduct banking business or carry out activities similar to banking business in the Lao PDR.

Part II

Private Commercial Banks

Group I

The Establishment, the Rights and Duties of a Commercial Bank

Article 5 Establishment of a Commercial Bank

A person who wishes to establish a commercial bank in the Lao PDR shall make written application and shall file complete and accurate documents as laid down by the Bank of the Lao PDR.

For a foreign person, he/she shall submit the application form on the establishment of a commercial bank to the Foreign Investment Management Committee of the Lao PDR

Article 6 Conditions for the Establishment of a Commercial Bank

A person who will have a license for the establishment of a commercial bank in the Lao PDR shall satisfy the full following conditions:

- Shall have adequate registered capital as determined by the Bank of the Lao PDR;
- Shall have the technical competence and financially qualified staff as determined by the Bank of the Lao PDR;
- Shall have credibility in the eyes of the public; and
- Shall have a qualified management team with the ability and experience in the banking business.

Article 7 Licensing and Registration of a Commercial Bank

The Bank of the Lao PDR shall consider and give a response to the application for the establishment of a commercial bank within ninety days from the date it received the application form.

A foreign person who applies for the establishment of a commercial bank in the Lao PDR shall abide by the law on foreign investment in the Lao PDR.

After a license for the establishment of a commercial bank is given by the Bank of the Lao PDR, the commercial bank shall register its enterprise with the trade sector; pay for annual business operations license with the finance sector and pay for a license fee on the establishment of a commercial bank set by the Bank of the Lao PDR.

Article 8 Lao Incorporated Commercial Bank

A Lao incorporated commercial bank which has its headquarter in Lao PDR may establish its headquarters and its branches anywhere in the Lao PDR and may expand its branch in a foreign country subject to the approval of the Bank of the Lao PDR.

Article 9 Specific Conditions of a Foreign Commercial Bank

A foreign owned commercial bank, a branch of a foreign bank or an office of representative of a foreign bank, which wants to be established in the Lao PDR, shall have the approval of their respective central bank or monetary authority, shall have a sound financial position, shall have efficient and high quality operations in the banking business certified by the banking authority in its own country.

A Lao incorporated foreign owned commercial bank may also establish its branches anywhere in the Lao PDR. A branch and an office of representative of a foreign commercial bank may be established only in the capital of the Lao PDR.

A foreign commercial bank that wishes to establish a branch in the Lao PDR shall start by first opening its office of representative at least for one year, except for the case that the Bank of the Lao PDR sees it necessary, may be proposed to the government for approval.

Article 10 Rights and Duties of a Commercial Bank

A commercial bank has rights and duties as follows:

- accepting deposits from the general public including selling of debt papers or bonds;
- extending credits, issuing a bank guarantee;
- offering a payment service to their customers;
- offering services to the bank's clients: foreign exchange operations, placement of currencies to gain interest or the clearing of customers payments at the bank or other financial institutions domestically or abroad; buying and selling and offering a safe custody of securities and undertaking the management on the placement of funds or giving consultations on shares, bonds, commercial papers, valuable documents and other valuables.

Group II

Capital of a Commercial Bank

Article 11 Capital of a Commercial Bank

The registered capital of a Lao owned commercial bank should be no less than three billion kip. The registered capital is the capital provided at the establishment of the commercial bank, which may be composed of cash and precious metals which may be turned into cash immediately dividing into shares. Each share has equal value with the maximum value of ten thousand kip. Each person may hold no more than twenty per cent of the registered capital.

The person who has been given a license to establish a commercial bank shall deposit twenty five per cent (25%) of the registered capital within ninety days in the account opened in its name at the Bank of the Lao PDR from the date of the enterprise registration, and the remaining amount may be paid up within a three year period.

Beyond the above-mentioned period, the Bank of the Lao PDR is authorized to cancel the license to establish such commercial bank.

The registered capital of a foreign owned commercial bank shall be no less than ten million US dollars. Such capital shall be brought from abroad and shall be used only in the Lao PDR in accordance with the regulations set by the Bank of the Lao PDR.

The foreign applicant who has been given a license to establish a commercial bank in the Lao PDR shall bring the total registered capital once within ninety days from the date of the enterprise registration

Beyond the above-mentioned period, the Bank of the Lao PDR is authorized to propose to the government to cancel the license to establish such commercial bank.

Article 12 Capital Ratios for Liquid Transactions of a Commercial Bank

A commercial bank shall maintain different capital ratios set by the Bank of the Lao PDR to avoid risks as well as to ensure the bank with adequate liquidity in order to achieve its efficient operations.

Article 13 Increase of Capital

A commercial bank may increase its capital by increasing its shares to mobilize funds from the general public.

The issuing of shares to mobilize funds shall have the approval of the Bank of the Lao PDR.

Article 14 Guarantee Capital

Twenty five per cent of the paid up registered capital shall be deducted as a non-withdrawal-able guarantee capital as long as the commercial bank still opens its banking operations, the remaining amount may be utilized for extending credits according to the policies of the Lao PDR government, for office building and for equipping the offices in the operations of the bank.

Article 15 Rehabilitation Capital of the Commercial Banks

Every year a commercial bank shall contribute zero point five per cent of outstanding total deposits of the past year to the Bank of the Lao PDR in order to create the rehabilitation capital of the commercial banks in case any commercial bank has financial difficulties. The regulations of such capital shall be set out by the Bank of the Lao PDR.

Article 16 Transfer of Shares

Commercial bank's shares may not be withdrawn, but may be transferred, sold and negotiable in accordance with the regulations set by its Board of Directors. A report shall be made to the Board of Directors seven days before any of such transaction is made. Then the Bank of the Lao PDR shall be reported.

Group III

Organization of a Commercial Bank

Article 17 Organization of a Commercial Bank

The organization of a commercial bank is composed of the Board of Directors, the Managing Director, the general meeting of the shareholders and auditor.

Article 18 Board of Directors

The Board of Directors is the highest organ of a commercial bank with the full power to decide all matters of a commercial bank except for some rights reserved for the general meeting of the shareholders.

The branch and the office of representative of a foreign bank do not have a Board of Directors.

Article 19 Structure of the Board of Directors

A Board of Directors is composed of five to eleven members in which one member shall be the representative of the bank's employees. The members of the board of directors shall be elected or removed from office by the general meeting of the shareholders except for the member that represents the bank's employees who shall be elected or removed from office by the meeting of the employees. The board of directors and members of the board have a term of office for three years and may be re-elected. In the case of the death of a member of the Board of Directors or incapability to perform his duties or his resignation in between two general meetings of the shareholders, the Board of Directors may appoint someone to the board to replace him temporarily then propose to the general meeting of the shareholders for approval.

Article 20 Rights and Duties of the Board of Directors

The Board of Directors of a commercial bank has the following rights and duties:

- Setting regulations on the administration, the business management of the commercial bank, the financial, labour and wage management, the meeting per diem and deciding on other important matters;
- Monitoring the performance of the management team of the commercial bank,
- Approve the financial year report on business operations and accounts in order to present at the general meeting of the shareholders and to report the Bank of the Lao PDR;
- Determine the rights and duties of the Managing Director on extending credit, making a bank guarantee, on ordering payment and others, in order to present to the general meeting of the shareholders for approval;
- Elect or remove from office the Chairman of the Board;
- Appoint or remove from office the Managing Director,
- Propose to appoint an auditor.

Article 21 Meeting of the Board of Directors

The Board of Directors performs its duties through meetings. The meeting of the Board of Directors opens at least once every three months at the request of the chairman or when requested by at least one third of the board members.

For an ordinary meeting, a written notice and an agenda of the meeting shall be given to each member at least seven days in advance before the opening day of the meeting. In case of necessity, an extraordinary meeting may be held at any time.

A quorum of a meeting shall be at least one half of the members of the Board of Directors. A decision of a meeting of the Board shall be taken and effective by a simple majority of the members present and voting. In the case of a tie, the Chairman shall have a casting vote. Minutes shall be kept of all decisions of the Board of Directors and circulated to the members after the meeting for signing.

Article 22 Rights and Duties of the Chairman and Vice-Chairman of the Board

The Chairman of the Board has the following rights and duties:

- Call for a meeting and chair the meeting;
- Be responsible of all transactions of a commercial bank;
- Report to the general meeting of the shareholders all transactions of the commercial bank;
- Propose the business and credit policies of the commercial bank to the meeting of the Board;

The Vice-Chairman is the assistant of the Chairman; he may be assigned by the Chairman with certain duties and shall perform functions on behalf of the Chairman in his absence.

Article 23 Responsibilities of Members of the Board of Directors

The Chairman, the Vice Chairman and other members of the Board of Directors, in the case of violating the laws and regulations of the banks or financial institutions or making mistakes in the business operations causing damages shall be jointly responsible for interests of the shareholders and outsiders. If such damages were made by the mistake of a particular member, that member alone shall be responsible for such damages. If any member of the Board commits a criminal offence, he/she shall be responsible for such criminal offence.

Article 24 Managing Director

The Managing Director of a commercial bank shall manage and run the business on behalf of the commercial bank within the objective framework of the bank. The Managing Director shall be appointed or removed from office by the Board of Directors at the proposal of the general meeting of the shareholders.

Article 25 Rights and Duties of the Managing Director

The Managing Director has the following rights and duties:

- Manage and decide on all matters of a commercial bank within the authority delegated by the Board of Directors to whom and to the general meeting of the shareholders he shall be responsible;
- Act on behalf of a commercial bank to contact and make contracts with third parties;
- Shall employ or dismiss the officers, give salary and other remunerations according to the decisions of the Board of Directors, promote, reward and admonish those officers within his delegated authority and in conformity with the internal regulations of the commercial bank;
- Carry out other rights and duties delegated to him by the Board of Directors.

The Managing Director has one or more Deputy Managing Directors to assist him on the decision of the Board of Directors.

Article 26 Prohibitions

The Chairman, Vice Chairman and any member of the Board of Directors and the Managing Director and the Deputy Managing Directors of a commercial bank along with their spouses, their children under or above the adult age, if they are still under the parents' supervision, the joint companies of their spouses, may not borrow from the commercial bank where they work or obtain a guarantee so that they may borrow from another party or to misuse their position to issue their personal guarantee to enable other persons to borrow from their own commercial bank.

In the case where the Chairman, the Vice-Chairman, the Managing Director or the Deputy Managing Director wants to have a parallel job in another enterprise, they shall get the approval of the Board of Directors first.

Any member of the Board of Directors, the management team or any officer of a commercial bank, who was penalized and removed from office or who used to be the Board member; the Managing Director, the Manager or Manager's Assistant whose license has been withdrawn, shall be prohibited from undertaking banking business unless they have been approved by the Bank of the Lao PDR.

Article 27 General Meeting of the Shareholders

The general meeting of the shareholders is the highest organization of a commercial bank and has the right to decide on its important matters.

The general meeting of the shareholders shall be held at least once a year and may be called for by:

- The Board of Directors;
- The Managing Director;
- The auditor,
- At least one third of shareholders;
- The appointee from the court as requested by shareholders.
- The liquidation committee.

At least ten days of advance notice shall be given to the shareholders before the opening of a general meeting.

An ordinary general meeting shall be opened only if at least one half of the total shareholders or their valid representatives are present. In the absence of one half of the total shareholders, another meeting shall be called for without basing on the number of shareholders present.

Article 28 Resolutions of the General Meeting

Resolutions of shareholders' ordinary general meeting shall be adopted by a simple majority of the votes at the meeting. Votes shall be cast in line with one share one vote.

Article 29 Rights and Duties of an Ordinary General Meeting

The ordinary general meeting has the following rights and duties:

- To hear the annual report of the Board of Directors on the business transactions of a commercial bank on the announcement of profits and proposals on declaring dividends;
- To hear the auditor's report;
- To vote on the resolutions of the past year's business transactions and of the next year's business plan;
- To approve the annual accounts of the previous year;
- To approve the declared dividends;
- To elect or remove from office members of the Board of Directors;
- To appoint the auditor and determine fees of the auditor;
- To allow the Board of Directors to carry out certain tasks on behalf the ordinary general meeting.

Article 30 Extraordinary General Meeting

An extraordinary general meeting may be held at any time to consider the amendment of the statutes of a commercial bank such as extension of term of office, increase of capital, decrease of capital of a commercial bank.

The procedures to call for an extraordinary general meeting are the same as of the ordinary general meeting.

An extraordinary general meeting shall be opened only if at least two thirds of the total shareholders are present for the first call and at least one half of the total shareholders present for the second call. If the quorum is not met, the meeting shall be delayed but shall be opened within two months at the latest, by the end of this period, whatever the number of shareholders present.

Resolutions of shareholders at the extraordinary meeting shall be adopted by at least two-thirds majority of the votes at the meeting.

Article 31 Rights and Duties of the Shareholders

The shareholders have the following rights and duties:

- Participate in the general meeting of the shareholders and vote;
- Receive the documents at least ten days in advance before the opening of the annual general meeting;
- Be informed on problems of business transactions of their own commercial bank;
- Ask questions, give written opinions on the management of the commercial bank;
- Receive dividends in proportion of their shares;
- The shareholders shall pay for their shares on time;
- The shareholders may not withdraw their shares, but may transfer or sell them to other persons;
- The shareholders shall be responsible to the liabilities of their commercial bank up to the value of their subscribed shares, which has not yet been paid up.

Article 32 Auditing of a Commercial Bank

The internal auditor is the person who performs a duty of controlling the expenses and the daily transactions of a commercial bank.

The internal auditor is appointed by the general meeting of the shareholders, has a term of office for three years and may be re-elected.

The internal auditor has the following rights and duties:

- Examining the expenses and the transactions of a commercial bank;
- Investigating and verifying all documents it deems necessary in performing his functions;
- Proposing his opinions to the Managing Director;
- Considering and recommending the accuracy of the daily, monthly, quarterly and annual financial accounts;
- Making a report of his assessment of the account and other transactions for that year to the general meeting of the shareholders for approval.

Group IV
Activities of a Commercial Bank

Article 33 Rights in Carrying Out Activities of a Commercial Bank

A commercial bank is authorized to mobilize deposits of different types such as demand deposits, savings deposits, time deposits and other types of deposits including the sale of debentures or bonds to the public.

A commercial bank shall guarantee the withdrawals of its customers on demand or in accordance with the agreement for that type of deposit and shall keep information on a customer's account confidential.

A commercial bank may determine the rate of interest it pays on deposits within the guidelines set by the Bank of the Lao PDR periodically. The commercial bank shall pay interest to its depositors in accordance with the agreement applying thereto.

Article 34 Accepting Deposits

A person or a legal entity may open an account at a commercial bank established in the Lao PDR. But he shall fill forms as required by the commercial bank.

A holder of an account may assign someone to represent him in depositing and withdrawing his money. But such assignment shall be in writing with the signatures of assignor and assignee.

An officer of a commercial bank may not disclose information of the customer's account except when required so to do by any court of competent jurisdiction, control authority or by the approval of the Governor of the Bank of the Lao PDR.

Article 35 Extension of Credit

A commercial bank may grant credit to its customers, may discount bills, bonds or other commercial papers from its paid up capital, from its liability deposits, from borrowed funds from other commercial banks or other financial institutions. In case of insufficiency of funds, a commercial bank may request an additional loan from the Bank of the Lao PDR in the form of temporary advance or sell commercial bills in accordance with the conditions and regulations set by the Bank of the Lao PDR. The credit extended by a commercial bank to a customer, the commercial bank shall take into account the monetary policy taken by the Bank of the Lao PDR periodically and shall be consistent with the socio-economic development plan of the Lao PDR.

Article 36 Types of Credits

The types of credits given by a commercial bank are:

- Temporary advance;
- Overdraft;
- Current loans;
- Short term loans (one year or less)
- Medium term loans (one to three years) and long term loans more than three years;
- The opening of a letter of credit (L/C) for export and import with foreign countries; and
- Others.

Article 37 Loan Contract

Loans shall be evidenced by contracts between a commercial bank and its customers and the parties shall perform the obligations in full contained therein. The provisions of the contract shall include certain basic elements such as:

- The amount of loan;
- The purpose and draw-down period of the loan;
- The maturity;
- The repayment conditions;
- The interest rate;
- The penalties;
- The security.

Article 38 Security

A commercial bank may provide a loan security to its customer and may charge fees and interest rates but shall be consistent to the regulations set by the Bank of the Lao, PDR.

Article 39 Offering Services to Customers

In addition to accepting deposits, serving withdrawals and extending credits, a commercial bank may give services to its customers in transferring money, clearing items, foreign exchange, issue letters of guarantee. Charging fees and commissions for such services shall be consistent with the regulations set by the Bank of the Lao PDR.

A commercial bank shall buy and sell foreign exchange or establish foreign exchange bureaus in accordance with the conditions set by the Bank of the Lao PDR and under the supervision of the Bank of the Lao PDR.

Article 40 Obligations of Paying Taxes

A commercial bank shall pay taxes to the state correctly, in full and on time as stipulated in the law on tax.

Article 41 Responsibility to the Customers

A commercial bank shall be responsible to its own operations and shall be liable to repay all the deposits and other liabilities to the customers. The customers who incur such damages may present a case to the court for compensation.

Article 42 Investment of a Commercial Bank

A commercial bank may invest in other enterprises but shall hold shares of no more than ten per cent of the registered capital of the enterprise

Group V

The Reporting and the Supervision

Article 43 Supervision of the Bank of the Lao PDR

All activities of a commercial bank shall be subject to the supervision and examination of the Bank of the Lao PDR.

A commercial bank shall maintain ratios set by the Bank of the Lao PDR such as:

(Unofficial Translation By Mr Panom Lathouly)

- General provisions;
- Liquidity ratio;
- Reserve requirement ratio at the Bank of the Lao PDR;
- Loan/deposit ratio;
- Loan loss provisions from being failed bank;
- Open foreign exchange positions and the implementation of regulations on the management of foreign exchange; and
- Others.

A commercial bank shall report and send a balance sheet, financial positions, different ratios and other required reports on a monthly basis or at the request of the Bank of the Lao PDR and that statement shall be in the form and standard established by the Bank of the Lao PDR.

The Bank of the Lao PDR may carry out on-site examination whenever it deems necessary. The managing director of a commercial bank shall report to the Bank of the Lao PDR in the event there is any change in the registered capital, the Chairman of the Board of Directors or the Managing Director.

Article 44 Internal Auditing

All expenses and daily transactions of a commercial bank shall be audited. Such audit has two types namely the internal auditing and the external auditing.

The internal auditing is performed by the internal auditor working at the commercial bank as stipulated in Article 32 of this decree law.

The internal audit shall check, review and certify the accuracy of the daily expenses and operations of the bank. Such audit is carried out daily, monthly, quarterly and annually. The auditor may audit before or after the order to make payment.

Article 45 External Auditing

The external auditing is carried out from time to time by the external auditors at the proposal of the general meeting of the shareholders or at the order of the Bank of the Lao PDR or a commercial bank may be audited directly by the Bank of the Lao PDR. The auditors appointed by the general meeting of the shareholders shall be selected from a list of accounting experts registered in the professional accounting authority and have been approved by the Bank of the Lao PDR. The external auditor may be removed from duty by the professional accounting authority.

The external auditors may perform their duties after the order to make payments and such auditing shall be carried out at least once a year.

After the auditing, the external auditors shall make a report of their assessment to the organization that ordered to be audited and the Bank of the Lao PDR.

Article 46 Publication of Financial Positions of a Commercial Bank

At the end of each financial year, a commercial bank or a financial institution shall publish its true and complete balance sheet according to the format set by the Bank of the Lao PDR no later than 31 March and shall submit a copy to the Bank of the Lao PDR. In addition, copies may be put on public notice at the head quarters of the concerned commercial bank or financial institution and one copy shall be published in a daily newspaper or in an important news bulletin at least once, unless the Bank of the Lao PDR provides otherwise.

The financial year of the commercial banks and other financial institutions under the supervision of the Bank of the Lao PDR starts on January 1 and ends on December 31 of each year.

Group VI
Revenue, Expenditure, Profits and Losses

Article 47 Revenue and Expenditure of a Commercial Bank

The revenue and expenditure of a commercial bank are as follows:

Revenue:

- Interest on loans and deposits;
- Fees and commissions;
- Others.

Expenditure:

- Interest on loans and deposits;
- Administration and research costs;
- Depreciation and amortization.
- Loan loss provisions;
- Others.

The Board of Directors determines the administration and research costs to be compatible with the actual operations of the bank periodically and determines the loan loss provisions in accordance with the regulations of the Bank of the Lao PDR. The depreciation and amortization shall be calculated according to the Law on tax.

Article 48 Profits of a Commercial Bank

The gross profit of a commercial bank is the difference between the revenue and the expenditure of the year. The net profit is a profit after the payment of taxes.

The net profit shall be distributed as follows:

- General provisions for non-recovered debt and other losses in accordance with the regulations of the Bank of the Lao PDR;
- Fund for business expansion and other funds as the Board of Directors deems necessary;
- The remaining may be distributed as dividends to the shareholders in accordance with the decision of the Board of Directors.

The Board of Directors of a commercial bank shall determine the amount of such funds and shall report to the Bank of the Lao PDR.

Article 49 Losses and Rehabilitation

In the event of losses, a commercial bank shall use its reserve funds to cover its losses or increase its capital to offset its losses in accordance with the decision of the Board of Directors. If that measure cannot solve the problem, the Bank of the Lao PDR may utilize the rehabilitation fund of commercial banks to help such commercial bank.

In case of necessity, the Bank of the Lao PDR may intervene in the activities of a failed commercial bank both state-owned and privately owned where it deems necessary or it deems that its financial positions or its business transactions are at risk for huge damages of the depositors as well as to cause the great instability to the financial system of the country.

Article 50 Evaluation of Foreign Exchange

The total net foreign exchange position of a commercial bank shall be evaluated by the end of the month. The loss difference from actual buying and selling or from the amount not yet bought or sold, the commercial bank may debit the account as expenditure. The gain difference from actual buying and selling or from the amount not yet bought or sold, the commercial bank may credit the account as revenue of the commercial bank.

Group VII
Liquidation of a Commercial

Article 51 Liquidation

A commercial bank may be liquidated in the following circumstances:

- On the volunteer of the shareholders;
- In the case of losses that prevent the future operations;
- By order of the Bank of the Lao PDR or the Court to cease operations due to certain act of malfeasance;
- Upon the sale or transfer to another party;
- Upon bankruptcy.

Article 52 Announcement of Liquidation

Whatever the circumstances for the liquidation of a commercial bank, the Bank of the Lao PDR shall make it known to the public. The liquidation because of bankruptcy of a commercial bank shall abide by the law on bankruptcy of the enterprise.

Part III
State-Owned Commercial Banks

Article 53 Creation of a State-Owned Commercial Bank

The state-owned commercial bank is an enterprise which the state has created and invested solely, this is called a state bank, or if the state has a joint venture with other people with at least fifty one per cent of total shares of the enterprise, this is called a state-private joint venture bank.

The Ministry of Finance shall co-ordinate with the Bank of the Lao PDR to study and propose to the government to establish a state-owned commercial bank. After the government has approved and the Bank of the Lao PDR has given a license to establish a commercial bank, that commercial bank shall register an enterprise with the trade sector and have business registration with finance sector.

Article 54 Shares of State-Private Joint Venture Bank

There are two types of shares of state-private joint venture bank as follows:

- The shares of the government whose ownership may be transferred according to the decision of the government;
- The shares of the private sector whose ownership may be transferred like the shares of a private commercial bank.

The shares of a state-private joint venture bank are negotiable.

Article 55 Rights and Duties of a State-Owned Commercial Bank

The rights and duties of a state-owned commercial bank are the same as the rights and duties of a private commercial bank stipulated in Article 10 of this decree law.

Article 56 Operations of a State-Owned Commercial Bank

The operations of a state-owned commercial bank such as deposit mobilization, credit extension, issuing bank guarantee, services facilities, reporting and auditing, are carried out similarly to the private commercial bank.

Article 57 Organization of a State-Owned Commercial Bank

A state-owned commercial bank is composed of the Board of Directors, the Managing Director and the auditor. For the state-private joint venture bank, there shall be a meeting of shareholders in addition.

Article 58 Board of Directors

The Board of Directors of a state-owned commercial bank is composed of three to eleven members, in which:

- The Chairman shall be appointed and removed from office by the Minister of Finance with the approval of the Governor of the Bank of the Lao PDR;
- The Vice Chairman shall be appointed and removed from office by the Minister of Finance according to the proposal of the Governor of the Bank of the Lao PDR;
- Some members, one from mass organizations and the remaining are individuals who are high people and professionals with experience in banking, shall be appointed or removed from office by the Minister of Finance.

The term of office of the Board of Directors and its members is stipulated in Article 19 of this decree law.

For the state-private joint venture bank, the Board of Directors is composed of:

- The Chairman who shall be appointed or removed from office by the Minister of Finance with the approval of the Governor of the Bank of the Lao PDR;
- The Vice Chairman who represents the private sector, shall be approved by the Minister of Finance according to the proposal of the private sector;
- An employees' representative who shall be appointed or removed from office by the Minister of Finance according to the proposal of the employees meeting through the Board of Directors of the bank.

Article 59 Rights and Duties of the Board of Directors

The board of directors of a commercial bank has the following rights and duties:

- Approve the business and transactions policies of the bank;
- Approve the report of the Managing Director on the business transactions and the annual financial statements together with the business plan of the following year and report to the Minister of Finance and the Governor of the Bank of the Lao PDR;
- Approve regulations of the bank, determine the rights and duties of the Managing Director on extending credit, making a bank guarantee, on ordering payment, accepting deposits, borrowing funds in different forms in accordance with the regulations set by the Bank of the Lao PDR;

- Setting the meeting per-diem of the Chairman and Board members and salary of the Managing Director in accordance with the regulations set by the Ministry of Finance;
- Propose to the Governor of the Bank of the Lao PDR to appoint or remove from office the Managing Director, the Deputy Managing Director or the Branch Head;
- Decide on the distribution of dividends and create different funds of the bank in accordance with the law on business and the regulations set by the Ministry of Finance;
- Approve the appointment of the accounting manager based on the proposal of the Managing Director of the bank;
- Propose to appoint an auditor;
- Propose on the capital change or regulations amendment of the bank.

For the state-private joint venture bank, the Board of Directors shall appoint or remove from office the Managing Director according to the proposal of the shareholders general meeting.

Article 60 Board of Directors Meeting

The procedures to call for the meeting and the meeting proceeding of the Board of Directors of a state-owned commercial bank are stipulated in Article 21 of the this decree law.

Article 61 Shareholders General Meeting of a State-Private Joint Venture Bank

The shareholders general meeting of a state-private joint venture bank is the highest organization of the state-private joint venture bank, having the right to decide on important matters of the bank.

The procedures to call for the meeting and the meeting proceeding are stipulated in Articles 27, 28, 29, 30 and 31 of this decree law.

Article 62 Managing Director of a State-Owned Commercial Bank

The Governor of the Bank of the Lao PDR shall appoint or remove from office the Managing Director, the Deputy Managing Director and the Branch Head of a state-owned commercial bank.

Article 63 Rights and Duties of the Managing Director

Rights and duties of the Managing Director of a state-owned commercial bank are the same as the private commercial bank stipulated in Article 25 of this decree law.

Article 64 Internal Auditor of a State-Owned Commercial Bank

The internal auditor of a state bank and of a state-private joint venture bank shall be appointed or removed from office by the Governor of the Bank of the Lao PDR.

The rights and duties of the internal auditor of a state-owned commercial bank are stipulated in Article 32 of this decree law.

Article 65 External Auditor of a State-Owned Commercial Bank

The external auditing will be carried out on the order of the Minister of Finance. The external auditor shall be appointed or removed from duty by the Minister of Finance from the list of professional accounting authority as stipulated in Article 45 of this decree law.

Article 66 Borrowing of the State-Owned Enterprises

A loan from a commercial bank shall be secured by collateral. For the state-owned enterprises or state-private enterprises borrowing from a commercial bank, the Ministry of Finance shall guarantee for such loan.

Part IV

Measures for Those who Violate

Article 67 Measures for Those who Violate

A person or a legal entity who violate this decree law shall be warned or fined and have license withdrawn. In case of graveness, they shall be put into legal proceedings.

Part V

Final Provisions

Article 68 Implementation

The government of Lao People's Democratic Republic shall implement this decree law.

Article 69 Effectiveness

This Decree Law replaces Decree No. 3 dated 23 January 1992 on the management and operations of commercial banks and other financial institutions. All promulgated decrees and regulations, which are conflicting with this Decree Law, shall be abrogated.

This Decree Law is effective from the date of signature.

Vientiane, March 11, 1997
President of the country

Nouhak Phoumsavanh