



**Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity**

President

No. 095/P  
Vientiane Capital, 30 August 2023

**Decree of the President  
of the Lao People's Democratic Republic  
on the Promulgation of the Law on Commercial Bank  
(Amended)**

- Pursuant to the Constitution of the Lao People's Democratic Republic (Amended 2015), Chapter VI, Article 67, Paragraph 1;
- Pursuant to the Resolution of the National Assembly No. 89/NA, dated 17 July 2023, on the Adoption of the Law on Commercial Banks (Amended);
- Pursuant to the Proposal Letter of the National Assembly's Standing Committee, No. 23/NASC, dated 15 August 2023.

**The President  
of the Lao People's Democratic Republic  
Decrees that:**

- Article 1      The Law on Commercial Bank (Amended) is hereby promulgated.  
Article 2      This Decree is effective from its date of signature.

**President of the Lao PDR**

[Signed & Sealed]

Thongloun Sisoulith



**Lao People's Democratic Republic**  
**Peace Independence Democracy Unity Prosperity**

National Assembly

No. 89/NA  
Vientiane Capital 17 July 2023

**Resolution**  
**Of the National Assembly**  
**Of the Lao People's Democratic Republic**  
**On the Adoption of the Law on Commercial Bank**  
**(Amended)**

- Pursuant to the Constitution of the Lao People's Democratic Republic, No. 63/NA, dated 8 December 2015, Article 53, Clause 1,
- Pursuant to the Law on Amendments to some Articles of the Law on National Assembly and the Law on Provincial People Assemblies, No. 82/NA, dated 30 June 2020, Article 11, Clause 1.

After extensive and in-depth discussion and consideration regarding the contents of the Law on Commercial Bank during the 5<sup>th</sup> Ordinary Session of the Ninth Legislature in the morning session, 12 July 2023, and the Law has been considered and approved in the morning session, 17 July 2023.

**The Meeting of the National Assembly decided:**

- Article 1      To adopt the Law on Commercial Bank (Amended version) by majority votes of the National Assembly's members attending the meeting.
- Article 2      This Resolution is effective from the signing date.

**President of the National Assembly**

[Signed & Sealed]

Dr. Saysomphone Phomvihane



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

National Assembly

No. 39/ NA  
Vientiane Capital, Dated 17 July 2023

# Unofficial Translation

## Law

### on Commercial Bank

#### (Amended)

## Part I

### General Provisions

#### Article 1 Objective

This Law defines principles, regulations and measures on the establishment, operations, management, monitoring, and inspection on commercial banks to enhance its effective operations, stability and transparency aim at ensuring commercial banks to grow steadily, modernize, to be safe and international integration; contributing to maintain national financial-monetary stability and socio-economic development.

#### Article 2 (Amended) Commercial Bank

A commercial bank is an authorized financial institution to operate banking business such as deposit taking, providing loans, payment services, foreign exchange services and other services as defined in the laws.

Commercial banks comprised of general commercial banks and specific commercial banks.

#### Article 3 (Amended) Definitions

The Terms used in this Law shall have the following meanings:

1. **Major shareholder** refers to a shareholder who owns at least ten percent of the total shares eligible to vote in the commercial bank;
2. **Management** refers to a member of the board of directors, committee of the board of directors, managing director, director of division and branch or equivalent position;
3. **Related party** refers to an individual or legal entity that has any of the following relationships with the commercial bank as:
  - (1) Major shareholder(s), director(s) include their spouse(s), son(s), daughter(s), parents, parents-in-law, grandparents, brother(s), sister(s), son(s)-in-law, daughter(s)-in-law, grandson(s), granddaughter(s);
  - (2) Affiliate of the bank;
  - (3) Other legal entities of whose any person specified in Clause (1) above is an executive, management, or major shareholder;

4. **Inspector of the Bank of the Lao PDR** refers to an official of the Bank of the Lao PDR, or an individual or legal entity from other authority who are appointed or designated by the Bank of the Lao PDR to conduct inspection on commercial bank;

5. **Independent member of the board of directors** refers to a member of commercial bank's board of directors who is not permanently employed by the commercial bank and has no relationships in terms of family, employment or business interest with shareholder and/or executive, manager of that commercial bank;

6. **Branch** refers to a part of domestic or foreign commercial bank, without separate legal entity status, conducting business activities upon designation of its head office in accordance with this Law;

7. **Affiliate** refers to a company in which the commercial bank holding. Fifty percent or more the voting rights shares;

8. **Systemically important commercial bank** refers to a commercial bank that has large scales of assets, market shares, broad relationship with other commercial banks and financial institutions, has complicated products which no other commercial banks or financial institutions can cover, and other components as defined by the Bank of the Lao PDR;

9. **General commercial bank** refers to a commercial bank that operates general banking business activities without focusing on product, sector, field, targeted customers;

10. **Specific commercial bank** refers to a commercial bank that operates specialized commercial banking business activities by focusing on selected products, sectors, fields, customers;

11. **Controlling rights** refers to the rights originated from shareholding that has voting rights or other rights that have impacts on corporate governance, setting policy in the legal entity or any action;

12. **Concentration risk** refers to the risk that associated with the holding a large portion of assets or investment, including provision of more loan to a single major customer, a small group of closely related borrowers or over concentrate to a sector;

13. **Deposit** refers to money that the customers deposit with the commercial banks by opening different types of account, such as current accounts, savings accounts, term deposit accounts;

14. **Loan** refers to money that a commercial bank lends to customers through various forms, such as general loan, overdraft, advance and other types of lending as defined by the Bank of the Lao PDR;

15. **Financial commitment** refers to a binding contract that the commercial bank has concluded with a customer in the form of credit line, letter of credit, letter of guarantee, bank guarantee and other forms as defined by the Bank of the Lao PDR.

#### **Article 4 State Policy on Commercial Bank**

The state promotes the development of banking sector by providing information, data and other facilities in order to enhance the banking sector growing steadily, to be safe, modern and ensuring regional and international integration.

The State promotes the commercial bank to invest and provide credits to support production, businesses, contributing to generating employment, incomes for people, building ground for industrialization and modernization, national socio-economic development.

#### **Article 5 Principles on Operations and Supervision of Commercial Bank**

The operations and Supervision of commercial banks shall be complied with the following principles:

1. Consistency with the direction, policy, strategy, laws, and national socio-economic development plan;
2. Centralized and uniform supervision;
3. Maintenance of stability and security of commercial banks and national financial institution and monetary systems;
4. Operation of banking business activities according to the authorization and under the micro supervision of the Bank of the Lao PDR;
5. Independent operation of businesses and legal equality;
6. Provision of services with ethics, transparency, and protection of legitimate rights and interests of consumers;

## **Article 6 Scope of Application**

This law applies to commercial banks, their affiliates, branches, representative offices located in Lao PDR or overseas, commercial bank supervision authority, including relevant individuals, legal entities, or organizations.

## **Article 7 International Cooperation**

The State promotes foreign, regional, and international cooperation on banking business operation through the exchange of lessons, data, information, technology, and human resource development to enable Lao banking system to grow strongly, ensure regional and international integration, compliance with international treaties and other relevant agreements to which the Lao PDR is bound.

# **Part II**

## **Application for Banking Business Operating License and Organizational Structure**

### **Chapter 1**

## **Application for Banking Business Operating License**

## **Article 8 (Amended) Application for Banking Business Operating License**

Individuals, legal entities wishing to operate banking business activities shall apply for enterprise registration in accordance with the Law on Enterprises and for investment license in accordance with the Law on Investment Promotion, and thereafter, shall apply for business operating license with the Bank of the Lao PDR.

The supporting documents for applying for banking business operating license are as follows:

1. Application for business operating license in the prescribed form of the Bank of the Lao PDR;
2. Copies of the enterprise registration certificate, and investment licence;
3. Technical-economic feasibility study in the prescribed form of the Bank of the Lao PDR;
4. Appointment Letter of establishment responsible committee, and in case of designation of representative to be responsible for establishment, a legal power of attorney shall be required;
5. Joint venture Agreement, or bank establishment Agreement;

6. Documents certifying the source of registered capital, or investment funds;
7. Letter of consent allowing the Bank of the Lao PDR to examine the source of funds to be invested for the establishment of commercial bank, financial position of shareholders; examine background of shareholders and executives;
8. Draft of regulations based on the Bank of the Lao PDR's format;
9. Resolution of the founder shareholders' meeting approving the documents as specified in Clauses 3, 4 and 8 of this Article, and the appointment of board of directors and directors;
10. Resolution of the meetings of the shareholder, board of directors or authorized person of the applicant for establishment of a branch or affiliate bank of commercial bank;
11. List of the names of shareholders and their shareholding ratios;
12. Manuals on accounting, risk management, internal control, human resource management, product management, anti-money laundering and terrorist financing and others;
13. Financial statement of shareholders which are audited by external auditors of three previous consecutive years;
14. An approval of home country authority concerned for establishment a bank in Lao PDR based on the country's law (for foreign legal entity);
15. Biography, qualification and work experience certificates of directors and internal inspectors according to the prescribed form of the Bank of the Lao PDR;
16. Other necessary documents as defined by the Bank of the Lao PDR.

For the application for state-owned commercial bank business operating license, it is not required to submit documents as defined under Clauses 5, 6, 7, 9, 11 and 13 of this Article or in case of joint venture between the state and other parties, the state's shareholder is not required to submit the documents as defined under Clauses 6, 7 and 13 of this Article. For a commercial bank that a foreign commercial bank holds one hundred percent of shares, it is not required to submit the documents as defined under Clause 5.

Application for banking business operating license is required to pay the fees pursuant to the relevant regulations.

## **Article 9 Consideration of Application for Banking Business Operating License**

After receiving the accurate and complete application for business operating license as defined in Article 8 of this law, the Bank of the Lao PDR shall consider and issue a written official notification whether to agree or refuse the application for business operating license within sixty days. In case of incomplete documents, the Bank of the Lao PDR will notify to the applicant on this issue within five official days.

The Bank of the Lao PDR shall give its response of acceptance if the applicant fulfills the following requirements:

1. The technical-economic feasibility study, and the business action plan have a complete, reasonable, and implementable contents;
2. Having sufficient, clear, and accurate capital according to the laws;
3. Shareholding ratios of shareholders is clear and true;
4. The management has never been sentenced as a bankrupted person or been manager in bankrupted entity and expelled from being manager in any legal entity.
5. The management, or shareholders have sound background, never been sentenced for robbery, fraud, falsification of documents, taking or giving bribes,

corruption, money laundering, terrorism financing, human trafficking, drug trafficking, financial and monetary offenses, or other corruption-related actions.

6. The management and major shareholders have appropriate qualifications and experiences in financial and banking business operations.

7. All detailed information of the related persons of the shareholders and executive are accurate and true.

8. The bylaw is accurate, complete, and consistent with the laws and regulations of the Bank of the Lao PDR.

9. The manuals on operation, internal audit and control are consistent with the laws.

#### **Article 10 (Amended) Issuance of Banking Business Operating License**

After receiving the response letter of consent from the Bank of the Lao PDR, the applicant shall fulfill additional requirements within one hundred eighty days as follows:

1. Paying registered capital or investment capital at the Bank of the Lao PDR in full amount;

2. Having a complete organizational structure and employing adequately qualified employees;

3. Having technical materials and facilities to ensure safe and orderly business operation;

4. Having a functional system that meets the needs of banking business operations.

If the applicant fails to comply with any of the requirements as set above with sufficient reasons, the Bank of the Lao PDR will consider on the extension for fulfillment of such additional requirements up to ninety days, but the extension may not exceed two times.

The Bank of the Lao PDR will issue a banking business operating license only when the applicant has fully accomplished the requirements as defined in paragraph one above.

After receiving the banking business operating license, the commercial bank shall apply for a membership with the Deposit Protection Office according to relevant regulations and shall perform business activities within ninety days from the business operating license receiving date.

#### **Article 11 Use of Banking Business Operating License**

The commercial bank shall operate business activities in accordance with the banking business operating license and shall display such license certificate at its office, especially in the place where customers can see it clearly.

The banking business operating license is valid for the entire banking business operation period, and it is not allowed to be assigned, transferred, or given-~~it~~ to other individuals or legal entities.

#### **Article 12 (New) Replacement of Banking Business Operating License**

The Bank of the Lao PDR will issue a new banking business operating license to replace the old one in any of the following cases:

1. Change in shareholders' structure, business scope, business location and other contents as defined in the business operating license;

2. The business operating license is stained, torn or damaged.

### **Article 13 (Amended) Minimum Registered Capital or Investment Capital**

The commercial bank that established under this Law shall have a minimum registered capital of one thousand billion Kip.

The foreign commercial bank that established a branch in Lao PDR shall have a minimum investment capital for such branch of six hundred billion Kip.

The registered capital or investment capital can be in cash and material. The material capital value shall not exceed ten percent of registered capital or investment capital. The material capital shall be evaluated by the specialized asset valuation company with the consent of the Bank of the Lao PDR.

The material capital shall be comprised of immovables or movables asset(s) to use-in banking business operations. The immovables asset shall be in Lao PDR only.

The registered capital and investment capital as provided for in the above-mentioned paragraph one and paragraph two of this Article may be adjusted based on the government's consent but shall not be less than the amount as specified in this Article.

The commercial bank may use the registered capital or investment capital according to regulations issued by the Bank of the Lao PDR from time to time.

For the commercial bank established before this Law shall increase the minimum registered capital and investment capital to be in full amount as provided for in the above-mentioned paragraph one and paragraph two of this Article within the time limit as defined by the government.

### **Article 14 Investment and Shareholding in Commercial Bank**

Investment in a commercial bank consists of the following forms:

1. Joint investment between domestic and foreign investors.
2. Joint investment between state-owned enterprise and private enterprise.
3. Joint investment between public and private sectors.
4. Sole investment.

The commercial bank is established in the form of a limited company or public company and state-owned company. In the case of sole limited company, it is allowed only in the form of affiliate of foreign commercial bank.

Any individual, legal entity may be a shareholder in the commercial bank according to the shareholding ratios as defined in the regulations of the Bank of the Lao PDR.

The shareholding in commercial banks shall not result in market monopoly sense or cause unfair competition, unless with the aim to strengthen the commercial bank in crisis based on the approval of the Bank of the Lao PDR.

### **Article 15 (Amended) Bylaw of Commercial Bank**

The by-law of a commercial bank shall have the contents as prescribed in the form of the Bank of the Lao PDR issued from time to time and shall be approved by the shareholders' meeting. For by-law of a branch of foreign commercial bank, it shall be approved by the relevant authorized person of such bank.



## **Article 16 Maintaining and Disclosure of Information in the Application for Banking Business Operating License**

The Bank of the Lao PDR shall keep all information in the application for banking business operating license and shall disclose such information to the public within ten days from the issuing banking business operating license date.

The information to be disclosed are as follows:

1. Name, location of head office and branch;
2. Registered capital, investment capital;
3. Number and date of banking business operating license;
4. Scope of permitted activities;
5. Shareholder(s) and management director(s);
6. Other information that the Bank of the Lao PDR considers as necessary.

In case of any change of information, the Bank of the Lao PDR shall disclose such information on time.

## **Article 17 Application for Banking Business Operating License of a Foreign Commercial Bank Branch**

The application for banking business operating license of foreign commercial bank branch shall be complied with the procedures on the establishment of a commercial bank as defined in this Law.

The supporting documents in the application for banking business operating license of foreign commercial bank branch are the same as of the documents defined in Article 8 of this law, except for Clauses 59 , and .11

In addition to the documents in the above-mentioned paragraph two, there shall be resolutions of the board of directors, shareholder's meeting or authorized person of the applicant on the approval of such documents as defined in Article 8, Clauses ,3 ,14 and 8, letter of appointment of the first branch manager and a commitment letter of the bank's head office to comply with financial obligations on behalf of its branch located in Lao PDR.

## **Article 18 (New) Change of Commercial Bank Status**

Change of status of a commercial bank or a branch of foreign commercial bank shall be proceeded as follows:

1. Commercial bank where a foreign commercial bank holds one hundred percent of shares may downgrade to a branch of foreign commercial bank, but it shall fulfil the requirements and submit documents to apply for business operating license of a branch of foreign commercial bank according to the regulations issued by the Bank of the Lao PDR.
2. A branch of a foreign commercial bank may upgrade to a commercial bank that foreign commercial bank holds one hundred percent of shares, but it shall fulfil the requirements and submit documents to apply for a banking business operating license according to the regulations issued by the Bank of the Lao PDR.

The Change in status of a commercial bank is merely a change of legal status, it could not lead to the change of rights and obligations of such commercial bank, such as, obligations against depositors or other creditors, tax obligations.

## **Article 19 Establishment of Representative Office of Foreign Commercial Bank**

The establishment of representative office of foreign commercial bank in Lao PDR shall comply with the Law on Investment Promotion.

## **Chapter 2 Organizational Structure of Commercial Bank**

### **Article 20 (Amended) Organizational Structure of Commercial Bank**

The commercial bank has the following organizational structure:

1. Shareholders' meeting;
2. Board of directors;
3. Committees of the board of directors;
4. Directors;
5. Supporting personnel.

### **Article 21 Shareholders' Meeting**

The shareholders' meeting is the highest organization of commercial bank. There are two types of shareholders' meetings as ordinary meeting and extraordinary meeting.

An ordinary meeting shall be convened at least once a year, where one meeting shall be convened within four months from the end of accounting year. For an extraordinary meeting, it may be held any time as deemed necessary based on the proposal of the shareholders who hold one third of the total shares or pursuant to by-law of commercial bank.

Notification on meeting, quorum, agenda, resolution voting method, meeting resolution, protection of rights and interests of minority shareholders and revocation of meeting resolution shall comply with the Law on Enterprises.

In case that the commercial bank is in weak financial position, did not resolve the problems on the recommendations of inspectors of the Bank of the Lao PDR or the shareholders fail to exercise their rights and perform their duties, the Bank of the Lao PDR may order to call a shareholders' meeting and such meeting may elect the chairperson to run the meeting.

For a bank that is a sole limited company, it shall be based on shareholders' meeting resolution or board of directors of foreign commercial bank that is the shareholder as its shareholders' meeting resolution.

### **Article 22 (Amended) Rights and Duties of Shareholders' Meeting**

The shareholders' meeting has the following rights and duties:

1. To approve by-law of commercial bank, including the change in such by-law based on the proposal of the board of directors;
2. To elect or dismiss chairperson, vice-chairperson, and members of board of directors, except for the case that the commercial bank is in crisis;
3. To decide on allowances of the board of directors meeting, salary, bonuses, and other policies for the managers;
4. To approve annual report, business plan and internal audit report based on the proposal of board of directors;

5. To approve increase or decrease of capital, business merger, buying and selling of important assets or dissolution of commercial bank based on the proposal from board of directors;

6. To approve distribution of dividends, establishment of various reserves based on the proposal of board of directors;

7. To exercise and perform other rights and duties as defined in the laws.

### **Article 23 (Amended) Board of Directors**

The board of directors shall have at least five members based on the consent of the Bank of the Lao PDR. In which at least one person shall be independent member.

The board of directors are comprised of chairperson, vice-chairperson, and a certain number of members, all of whom shall be elected or dismissed by the shareholders' meeting. The membership term of the board of directors shall not exceed three years and may be re-elected for not more than three consecutive terms.

The board of directors shall hold its meeting at least once every three months. The operation of the board of directors shall comply with the by-law of the commercial bank, relevant laws, and regulations.

The election or dismissal, membership term of board of directors and meeting of board of directors of a commercial bank where only the State holds shares shall be complied with the relevant laws and regulations.

### **Article 24 (Amended) Qualifications of for Members of Board of Directors**

A member of board of directors shall fulfill the following qualifications:

1. Having legal capacity;
2. Having knowledge, capacity and experiences in management, finance, banking, laws, or other relevant fields;
3. Has sound biography, never been (sentenced) convicted for robbery, fraud, embezzlement, falsification of documents, taking or giving bribes, money laundering, terrorist financing, human trafficking, drug trafficking, financial and monetary offenses, or other corruption-related actions;
4. Has never been dismissed from manager position in other legal entity, never been sentenced as bankrupted person and never been an manager in legal entity sentenced as bankrupted entity;
5. In case of being an inspector of the Bank of the Lao PDR, he/she shall be ceased from the office at least one year before taking position as a member of the board of directors;
6. Having other necessary qualifications.

### **Article 25 (Amended) Rights and Duties of Board of Directors**

The board of directors has the following rights and duties:

1. To elaborate and implement shareholders' meeting resolution;
2. To determine strategy, policy, governance, risk management, audit, and other policies on business operation;
3. To approve regulations proposed by the committees of the board of directors;
4. To be responsible for all activities of commercial bank in accordance with relevant laws, and regulations;
5. To receive information in a timely manner and suitable to credit situation, significant risk, debt and asset classification, deduction of provisions and depreciation of

assets and risks that originated from assets which may cause damages to commercial bank from time to time;

6. To clarify, answer to questions and report on operations of commercial bank in shareholders' meeting;

7. To propose distribution of profits into various reserves/provisions and distribution of dividends to the shareholders' meeting;

8. To propose business action plan to the shareholders' meeting for consideration and approval;

9. To appoint committees of the board of directors;

10. To appoint or dismiss the managing director;

11. To approve the proposal of management committee on the appointment or dismissal of managing director, deputy-managing director, director of division, director of a branch or equivalent position;

12. To report on activities of commercial banks to shareholders' meeting;

13. To exercise other rights and perform other duties as defined in laws.

## **Article 26 (Amended) Obligations of for Members of the Board of Directors**

Members of board of directors have the following obligations:

1. To attend the meetings of board of directors in person and actively perform their duties;

2. To decide on the matters of commercial bank independently and ethically;

3. To study and deeply understand their assigned duties, risks connected with their duties and tasks, relevant laws and regulations, and international good practice;

4. To provide comments actively in the meeting of board of directors and committees of the board of directors where they belong to;

5. To notify the board of directors immediately on their overlapping interests;

6. To answer the Bank of the Lao PDR's queries in person on the performance of their activities;

7. To attend the meeting on invitation, cooperate and comply with the requirements of the Bank of the Lao PDR;

8. To perform other obligations according to the by-law of commercial bank.

## **Article 27 Committees of Board of Directors**

The committees of board of directors are comprised of:

1. Governance Committee.

2. Risk Management Committee.

3. Audit Committee.

4. Other committees as decided by the board of directors.

Each committee is comprised of members of the board of directors, at least three members with appropriate qualifications and experience, this includes a chairperson of committees and members. A member of the board of directors may belong to several committees, but he/she can be chairperson of one committee only. The chairperson of the Audit Committee shall be an independent member of the board of directors. The board of directors may appoint an additional external person who is not a member of the board of directors to each committee.

The committees of the board of directors perform their duties under the meeting regime which may be held at least once every two months convened by the chairperson of committees or chairperson of the board of directors in necessary case.

The committees of the board of directors have their permanent supporting personnel and shall have manuals for their operations which shall be reviewed at least once a year.

## **Article 28 (Amended) Rights and Duties of Governance Committee**

The Governance Committee has the following rights and duties:

1. To research, develop and review policy on human resource management, determine ethics, principles, and methods for selection of managers, remuneration to manager to propose the board of directors for consideration and approval;
2. To take lead on development and revision of the governance manual, and then propose to board of directors for consideration and approval, as well as to monitor, inspect and report to board of directors on the implementation of such manual;
3. To determine standards and qualifications of personnel in charge of governance;
4. To select targets, propose for appointment or dismissal of managing director, internal auditors to the board of directors for consideration pursuant to the determined standards and qualifications;
5. To research on the appointment of deputy-managing director, director of division, director of a branch or equivalent positions proposed by managing director to further propose to the board of directors for consideration and approval;
6. To research and develop annual workplan of board of directors to further propose the board of directors for consideration and approval as well as to monitor the implementation of such workplan;
7. To determine conditions and plan to evaluate the performances of board of directors and managers;
8. To propose the board of directors to determine disciplinary measures against managers who fail to perform their duties;
9. To propose board of directors on the dismissal of managers who lack qualifications or are inappropriate in resuming such position;
10. To summarize, evaluate implementation of their annual activities;
11. To report on the performance of their duties to the board of directors from time to time;
12. To exercise other rights and perform other duties as defined in relevant laws and regulations.

## **Article 29 (Amended) Rights and Duties of Risk Management Committee**

The Risk Management Committee has the following rights and duties:

1. To research, develop, review, monitor the implementation of policy on risk management of commercial bank to propose to the board of directors for consideration and approval;
2. To supervise the development and revision of manual related to risk management activities and then propose to the board of directors for consideration and approval, as well as to monitor, inspect and report to the board of directors on the implementation of such manual;
3. To set standards and qualifications of personnel in charge of risk management;
4. To provide comments on matters as designated by board of directors;
5. To summarize, evaluate the implementation of their annual activities;
6. To report on the implementation of their duties to the board of directors from time to time;

7. To exercise other rights and perform other duties as defined in relevant laws and regulations.

### **Article 30 (Amended) Rights and Duties of Audit Committee**

The Audit Committee has the following rights and duties:

1. To research, develop and review policy on financial reporting and internal control system, accounting entries, information system, including inspection of commercial banks to propose to the board of directors for consideration and approval;
2. To supervise development and revision of guidance manual related to audit activities and then propose to the board of directors for consideration and approval, as well as to monitor, inspect and report to the board of directors on implementation such manual;
3. To monitor and inspect the operations of commercial banks, including the implementation of business plan, resolution of board of directors' meeting to be consistent with the manual and by-laws of commercial bank and laws;
4. To set standards and qualifications of personnel in charge of internal audit;
5. To decide on hiring or termination of contracts with external auditor, as well as to set audit scope according to the decision of the board of directors;
6. To monitor, evaluate the quality of external auditor, their independence and relationship by looking through all aspects of relationships between external auditor and commercial bank;
7. To ask for quarter and annual audited financial reports, internal and external audit reports from relevant managers, internal auditors, and external auditors;
8. To provide legal advice on auditing activities;
9. To monitor, inspect the progress of addressing the unsolved problems as specified in audit report;
10. To consult with legal advisor, accounting consultant and other fields based on the decision of the board of directors;
11. To provide comments on matters proposed by the board of directors or managers;
12. To summarize and evaluate the implementation of their annual activities;
13. To report on the implementation of their duties to the board of directors from time to time;
14. To exercise other rights and perform other duties as defined in relevant laws and regulations.

### **Article 31 (Amended) Management Committee**

The Management committee is comprised of the managing director and deputy-managing directors.

The managing director is an executive who manages the day-to-day activities of the bank under his/her scope of rights and duties as defined in this Law, by-laws and according to the designation of the board of directors.

The managing director is appointed or dismissed by the board of directors, has a term of a maximum of three years and may be reappointed for a maximum of three consecutive terms. The appointment or dismissal and terms of managing director of the state-owned commercial bank that only the State holds share shall be complied with relevant regulations.

The managing director may be a member of a board of directors, but not be allowed to sit as chairperson or vice-chairperson of the board of directors or chairperson of any other committee of the board of directors.

The deputy-managing director has duties to assist the managing director in managing activities of commercial bank, as well as acting managing director in case of the absence of the managing director based on the designation of managing director.

### **Article 32 (Amended) Rights and Duties of Managing Director**

The managing director has the following rights and duties:

1. To represent the commercial bank in signing contracts, official documents;
2. To manage day-to-day activities of commercial bank;
3. To develop or adjust annual business plan to propose to the board of directors for consideration and further propose to the shareholders' meeting for approval;
4. To appoint or dismiss deputy-managing director, director of division, director of a branch or equivalent position based on the approval of the board of directors;
5. To recruit and allocate the employees of commercial bank under their scope of responsibility or based on the proposal of the committee of board of directors;
6. To provide information and clarification on matters that are in the interests of the board of directors;
7. To develop or revise by-law on the management to propose to the board of directors for consideration and approval;
8. To be responsible for all operations of commercial bank before the board of directors;
9. To propose the opening of a branch, establishment of affiliate or investment in other businesses to the board of directors for consideration and approval;
10. To decide on salary of the employees, to implement incentive policy or impose disciplinary measures against employees violating by-law of commercial bank;
11. To cooperate, provide information and clarify on matters to external auditor, the Bank of the Lao PDR and other authority as defined in the relevant laws;
12. To clarify and provide necessary documents needed by the board of directors and different committees of board of directors;
13. To report on the performance of activities of commercial bank to the board of directors and committees of board of directors;
14. To exercise other rights and perform other duties as defined in laws.

### **Article 33 Approval of Appointment or Dismissal of Management**

The appointment or dismissal of management of commercial bank shall be approved by the Bank of the Lao PDR.

### **Article 34 (New) Supporting Personnel**

The commercial bank has a certain number of its supporting personnel as deemed appropriate, including division, branch, service units.

For the rights and duties of supporting personnel, it shall be defined in by-law of the commercial bank.

### **Article 35 (Amended) Organizational Structure of Foreign Commercial Bank Branch**

Foreign Commercial Bank branch has the following organizational structure:

1. Management;
2. Section/division;

3. Internal audit unit.

The appointment or dismissal of the management committee of Foreign Commercial Bank Branch shall be approved by the Bank of the Lao PDR.

## **Part III**

### **Banking Business and Business Expansion**

#### **Chapter 1**

#### **Banking Business**

##### **Article 36 (Amended) Banking Business**

Banking business activities are comprised of:

1. Taking deposits;
2. Providing credit facilities;
3. Providing payment services;
4. Providing foreign exchange services.

In addition, commercial bank may serve as financial agents, provide financial and investment advice, safety deposit boxes for valuable objects and other services according to the approval of the Bank of the Lao PDR.

The operation of banking business on foreign currencies shall be complied with the Law on Foreign Currency Management and other relevant laws.

For specific commercial bank, in addition to the banking business operation as provided for in this Article, the specific business bank shall be complied with the regulations issued by the Bank of the Lao PDR from time to time.

##### **Article 37 (Amended) Deposit taking**

Deposits Taking is a commercial bank's provision of services on opening of bank deposit accounts to individuals, legal entities, and organizations in which comprising of current accounts, saving accounts, term deposit accounts and others whether with or without interests.

The Bank of Lao PDR determines regulations on deposit taking of commercial banks.

##### **Article 38 (Amended) Providing Credit Facilities**

Providing credit facilities is the granting of loans, other financial commitments or other similar products based on the approval of the Bank of the Lao PDR where the commercial bank authorizes an individual, legal entity or organization to use such facility in any targets, for which the borrower shall repay the principal, interest and fees to the commercial bank as provided in the contract.

In providing credit facilities, the commercial bank shall examine customer's credit information from credit information system as approved by the Bank of the Lao PDR.

The Bank of the Lao PDR determines regulations on providing credit facilities of the commercial bank.



### **Article 39 (Amended) Providing Payment Services**

Providing payment services is the service of payment for goods and services, and other debts based on the purchase orders of customers through any payment mechanism or instruments as provided in the Law on Payment System.

A commercial bank wishing to provide payment services shall fulfill requirements as defined in the Law on Payment System and other relevant regulations.

### **Article 40 (Amended) Providing Foreign Exchange Services**

Foreign exchange is the exchange from one currency to another currency as defined in the Law on Foreign Exchange Management.

A commercial bank fulfilling requirements as defined by the Bank of the Lao PDR may operate foreign exchange business at the head office, branches and service units and service counters of such commercial bank.

The Bank of the Lao PDR determines regulations on foreign exchange operation.

### **Article 41 (Amended) Financial Agency**

A financial agency is a representative in doing transactions between customers in the financial market, including agency for fund source financing.

The financial agency shall be consistent with the laws.

### **Article 42 (Amended) Providing Financial and Investment Advisory**

Providing financial and investment advice is the act of giving advice of commercial bank on financial plan analysis and giving advice on investment.

The provision of financial and investment advice shall be consistent with the laws.

### **Article 43 (Amended) Providing Safety Deposit Box**

The provision of safety deposit boxes for precious objects is the act of lending safety deposit boxes of precious documents and objects in a secured place of commercial bank accordingly to the relevant laws.

The provision of safety deposit boxes for precious objects shall be consistent with the laws.

### **Article 44 (Amended) Service Hours**

The commercial bank shall notify its service hours to customers, and the services shall not be closed during such service hours, otherwise customers shall be notified in advance at least three working days.

The commercial bank wishing to close its services on the days other than non-working days or other holidays as defined by the Government, it shall request the same in writing to the Bank of the Lao PDR at least five working days before closing the services.

If the day that the commercial bank closed the services is the due date of contract, where the commercial bank and customers shall perform their obligations at the premises of commercial bank, the next following working day shall be the due date of such contract.

The commercial bank may provide its services whether in or out of the working days through modern information technology in its capacity with authorization of the Bank of the Lao PDR.

#### **Article 45 (Amended) Official Language**

All documents related to operations of commercial bank to be reported or provided to the Bank of the Lao PDR and relevant State authorities shall be in Lao language.

## **Chapter 2 Business Expansion**

#### **Article 46 (Amended) Business Expansion**

The commercial bank may expand its business through establishment of branch (es), service unit(s), representative office(s), investment in financial institution or other legal entities that are not financial institutions by obtaining operating license from the Bank of the Lao PDR, except for the establishment of service unit which is not required to apply for license, but it shall be reported to the Bank of the Lao PDR at least fifteen days before opening for services.

The business expansion shall fulfill the following requirements:

1. Adequate businesses expansion fund;
2. Effective corporate governance, and internal audit system;
3. Effective information receiver and transmission system for management activities;
4. Compliance with prudential regulations issued by the Bank of the Lao PDR;
5. Other necessary requirements.

The Bank of the Lao PDR shall determine regulations on the establishment of branches and service units, representative offices of commercial bank.

For overseas business expansion, application for a license with the relevant sector is required.

#### **Article 47 (Amended) Investment in Financial Institutions**

The commercial bank may invest in a corporation or hold shares in other commercial banks and other financial institutions that operate financial businesses according to the approval from the Bank of the Lao PDR as follows:

1. Securities business;
2. Insurance business;
3. Leasing business;
4. Credit guarantee business;
5. Other financial businesses.

For overseas investment, in addition to the license obtained from the Bank of the Lao PDR, application for a license from Ministry of Planning and Investment is also required.

## **Article 48 Investment in Non-Financial Institutions**

A commercial bank with strong financial position may invest in both domestic and foreign non-financial institutions, which have strong financial position and effective business operations in a ratio of not more than ten percent of registered capital of commercial bank, and not more than twenty percent of eligible shares to voting rights in such entity.

The total shareholding in other legal entities that are non-financial institutions shall not be more than fifty percent of registered capital of commercial bank in accordance with the regulations of the Bank of the Lao PDR.

## **Part IV Prudential Requirements, Share Transfer, Merger, and Buying and Selling of Important Assets of Commercial Bank**

### **Chapter 1 Prudential Requirements**

## **Article 49 (Amended) Prudential Requirements**

The commercial bank shall comply with the following prudential requirements:

1. To operate businesses according to sound administrative and accounting practice as defined in this Law and regulations of the Bank of the Lao PDR;
2. To maintain adequate capital, ensure liquidity and ensure assets to be managed on an continual basis and with risk diversifications;
3. To maintain adequate regulations, mechanism and complete procedures for risk management.

The Bank of the Lao PDR defines detailed regulations on maintaining stability of general commercial bank and specific commercial bank.

In addition to prudential requirements as above-mentioned, the commercial bank may also adopt other good practices as agreed by the Bank of the Lao PDR.

## **Article 50 (Amended) Internal Control System**

Internal control system is a governance process determined by the commercial bank to ensure the ability of reaching the planned goals in business operation, which are comprised of with the risk management, consistency examination, internal inspection, and other activities.

The commercial bank shall maintain a system and determine internal control regulations, in which the main contents shall define the organizational structure and management mechanism, including position, roles, rights and duties, responsibilities, monitoring, inspecting and reporting of the managers, sections and employees of the commercial bank.

The commercial bank shall submit copies of regulations on internal control and list of its employees who have rights of signing as well as copies of signature of such employees

to the Bank of the Lao PDR. In case of changes in any of such documents, they shall be notified to the Bank of the Lao PDR within five working days.

The commercial bank shall employ qualified and experienced internal control employees in adequate number with regular training to those employees.

#### **Article 51 Capital Adequacy Management**

The commercial bank shall maintain capital adequacy in accordance with the regulations of the Bank of the Lao PDR.

The Bank of the Lao PDR defines capital adequacy ratio, capital components and calculation principles of capital adequacy of commercial bank and may impose higher capital adequacy ratio for commercial banks, which are systematically important banks or have high risks that may cause instability.

#### **Article 52 Risk Management**

The commercial bank shall maintain detailed regulations, mechanism and procedures on risk management together with the effective monitoring and inspection system for managers to achieve the following objectives:

1. To identify, measure, assess, monitor, report and control or mitigate all important risks in timely basis, including credit risk, market risk, operational risk;
2. To assess capital adequacy and liquidity of commercial bank.

The risk management procedures include the establishment and review of the contingency plan by taking the real situation of commercial bank into account. Such procedures shall be suitable with risk situation and important level of commercial bank on banking system.

The Bank of the Lao PDR shall define regulations on the management of related risks of commercial bank.

#### **Article 53 Asset Management**

The commercial bank shall have appropriate regulations, mechanism and procedures for asset management and adequate provision/reserve according to regulations of the Bank of the Lao PDR.

#### **Article 54 Prevention from Abuse of Banking Services**

The commercial bank shall have adequate regulations, mechanism and procedures to prevent commercial bank of being used as a channel in committing crimes, including compliance with Law on Anti-Money Laundering and Counter-Financing of Terrorism.

#### **Article 55 Outsourcing Services**

Outsourcing services to clients or internal control of commercial bank is subject to the approval from the Bank of the Lao PDR.

The commercial bank shall have regulations, mechanism and procedures in assessing, managing and monitoring the outsourcing services, including checking of information, determining outsourcing approaches, responsibilities of each party in details.

#### **Article 56 (Amended) Transactions with Related-Party or Employees of Commercial Bank**

The commercial bank doing transactions with related parties or ~~an~~ employees of commercial bank in providing credits, taking deposits, money transfer, foreign currency exchange, precious object safety deposit, buying financial assets, purchasing of goods and services, and other transactions shall be treated as general customers who are not related to such commercial bank without any preferential treatment and shall have appropriate collateral/securities according to the regulations of the Bank of the Lao PDR.

The commercial bank shall submit a list of transactions with related parties or employees of commercial bank as defined by the Bank of the Lao PDR.

#### **Article 57 Crisis Recovery/Management Planning**

The systematically important banks shall establish a crisis management plan based on the regulations of the Bank of the Lao PDR and shall review such plan once a year or when it is expected that a situation would occur, such as financial crisis, economic crisis, natural disaster, and failure of internal control system or other situations which may cause impacts on entire banking system.

#### **Article 58 Responsibilities of Management and Employees**

Management and employees of commercial bank shall have high responsibility and ethics in performing their duties by taking interests of customers and commercial bank higher than its own interests.

The commercial bank shall monitor, inspect and apply appropriate measures against the managers or employees who caused damages to commercial bank or customers.

#### **Article 59 Disclosure of Interests**

The manager of a commercial bank shall disclose in detail his/her activity as well as the activity of his/her related persons to the Board of Directors of the bank.

At the time of consideration for any matter related to the activity of such manager or his/her related person's activity, the manager shall leave the meeting.

In circumstance that manager fails to follow the above provision, the commercial bank or its shareholder has the right to bring a case in court to abolish the contract that is related to such activity. In addition, the Bank of the Lao PDR may suspend the manager from the office and remove from such position after the court issued its decision.

#### **Article 60 Consumer Protection**

The commercial bank shall have clear regulations, procedures to implement with its customers and shall have effective mechanism in receiving, considering and resolving complaints or requests from its customers in accordance with the relevant laws and regulations.

The commercial bank shall protect the rights and interests of its customers by:

1. Becoming a member of Deposit Protection Office;
2. Creating conditions to facilitate customers in depositing, transferring and withdrawing their money in full amount and on timely basis;
3. To keep confidential information relating to the transaction of customers unless the laws are otherwise defined;
4. To disclose financial position of commercial bank to the public according to regulations issued by the Bank of the Lao PDR;
5. To provide detailed information on the use of its products, including interest rates, service fees ,exchange rates ,conditions, and ways how to use services through various means, including advertising of products and services according to reality;
6. To perform obligations on consumer protection according to the laws.

#### **Article 61 Confidentiality**

Present and resigned managers, employees, and authorized representatives of a commercial bank shall keep the information of the commercial bank confidentially. Disclosure or use of such information for personal benefits or other's benefits is prohibited unless such disclosure is for the benefits 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.

## **Chapter 2**

### **Share Transfer, Merger, Buying and Selling of Important Assets**

#### **Article 62 (Amended) Share Transfer**

The transfer of ordinary shares of commercial bank that cause the existing shareholder, individual or legal entity become a major shareholder; or the transfer of shares of more than ten percent, or the transfer of shares that cause the existing shareholder, individual or legal entity become a shareholder having controlling rights over such commercial bank are subjected to authorization from the Bank of the Lao PDR.

The Bank of the Lao PDR shall define regulations on share transfer of the commercial bank.

The transfer of shares shall comply with tax obligations according to relevant laws.

#### **Article 63 Merger**

The commercial bank may merge its activities with other commercial banks based on the approval of shareholder's meeting and authorization from the Bank of the Lao PDR.

The Bank of the Lao PDR shall define regulations on merger of commercial bank.

#### **Article 64 Buying and Selling of Important Assets**

Important assets of commercial bank are the assets that are the important parts in operating banking businesses according to the regulations of the Bank of the Lao PDR.

Buying and selling of important assets of commercial bank shall be approved by shareholder's meeting and shall be authorized by the Bank of the Lao PDR.

**Part V**  
**Accounting, Information Disclosure of Commercial Bank**  
**and Audit by External Audit Company**

**Chapter 1**  
**Accounting and Information Disclosure of Commercial Bank**

**Article 65 Accounting**

The commercial bank shall maintain the accounts in accordance with the Law on Accounting and relevant regulations.

The commercial bank shall record accounting transaction in accordance with the chart of accounts as determined by the Bank of the Lao PDR from time to time.

The development, application of accounting software and/or adding any account number in the accounting chart shall request for approval from the Bank of the Lao PDR.

The accounting year of commercial bank starts from 1<sup>st</sup> January and ends on 31<sup>st</sup> December of each year.

**Article 66 Income and Expenditure**

Income and expenditure of commercial bank are as follows:

1. Income:

- Interests;
- Fees and service charges;
- Reversal of impairment loss of loan and impairment loss of other assets;
- Other incomes according to the laws.

2. Expenditure:

- Interests;
- Taxes, fees, and service charges;
- Administrative and technical expenses;
- Deposit protection fee;
- Deduction of provision for impairment loss of loan and impairment loss of other asset;
- Depreciation of assets;
- Provisioning for Risk;
- Other expenditures according to the laws.

The board of directors shall approve income and expenditure plan of commercial bank based on the proposal of the managing director.

**Article 67 Profit and Loss**

The profit of a commercial bank is the annual positive balance of income and expenditure of the commercial bank as defined in Article 66 of this Law. The net profit is the profit after tax deduction.

The loss of a commercial bank is the annual negative balance of the income and expenditure of the commercial bank. Accumulated loss is the loss accumulated from previous year(s).

The shareholder's meeting approves the distribution of net profit as follows:

1. Deduction for regulatory reserves according to regulations;
2. Deduction for business expand reserves and other reserves;
3. Distribution of dividends to shareholders.

The transfer of dividends of commercial bank or transfer of profits of foreign commercial bank branch to head offices shall be consistent with relevant laws and regulations.

In case of accumulated loss, the commercial bank shall use regulatory reserves to offset such loss, if the reserves are insufficient, the shareholders of commercial bank shall increase capital to offset such accumulated loss.

In case that the commercial bank or foreign commercial bank branch still has accumulated loss, but has profit in a year, the commercial bank is not allowed to distribute dividends, and for foreign commercial bank branch, it is not allowed to transfer such profit to the head offices.

## **Article 68 Financial Statement**

The commercial bank shall create monthly, quarterly, and annual financial statements. The financial statements are comprised of statement of financial position, statement of profit or loss, cash flow statement, statement of change in equity and explanatory note of financial statements.

## **Article 69 (Amended) Disclosure of Information**

The commercial bank shall disclose its information to the public as follows:

1. Quarterly and bi-annual reports according to the regulations of the Bank of the Lao PDR.
2. Annual report and comments of the audit company in accordance with the regulations of the Bank of the Lao PDR.
3. Other information that helps the public to understand the stability of commercial bank.

In case that the commercial bank has an affiliate company, the disclosure shall include information of its affiliates to help the public be aware of general overview of the policy, business plan and governance, including the financial statement of such affiliate.

## **Article 70 Information Disclosure channels**

The commercial bank shall disclose information as defined in Article 69 of this Law through its website or other platforms that the public may access and shall have appropriate mechanism to notify its customers every time when there is disclosure of information, as well as to notify such disclosure channels to the Bank of the Lao PDR.

## **Article 71 (Amended) Keeping Documents and Transaction Data**

The commercial bank shall keep records of documents and transactions at its head office as follows:



1. Bylaws, regulations, and manuals according to this Law;
2. The list of registered shareholders;
3. Minutes and resolutions of the shareholders' meeting;
4. Minutes and resolutions of board of director's meeting and committees of board of directors;
5. Accounting records on business operations, business transactions and financial requirements;
6. Records of transactions, credit documents and list of individual customer;
7. Internal and external audit reports;
8. Other necessary documents defined by the Bank of the Lao PDR.

Foreign commercial bank branch shall keep documents and transaction data at its branch office located in Lao PDR. In case of necessary, the foreign commercial bank branch may also keep documents and transaction data at its head office based on the approval of the Bank of the Lao PDR.

The documents, information, including electronic copies shall be kept at least ten years after the completion of such documents, transactions, or contract termination.

## **Chapter 2**

### **External Audit by Audit Company**

#### **Article 72 (Amended) External Auditor by audit company**

In every year, the commercial bank shall be audited by audit company to:

1. Verify accuracy and completeness of accounting system according to International Standards on Accounting and Reporting and regulations defined by the Bank of the Lao PDR;
2. Verify accuracy and completeness of annual financial report;
3. Verify accuracy and completeness of internal control, as well as to recommend the resolution measures;
4. Certify the remediation of the commercial bank on violation that the Bank of Lao PDR has discovered and notified to the audit company;
5. Report to the Bank of the Lao PDR on violation of laws and regulations of the Bank of the Lao PDR or any act that may impact soundness of the commercial bank.

#### **Article 73 Hiring of Audit Company**

The commercial bank hires audit company based on the approval of the Bank of the Lao PDR.

The Bank of the Lao PDR shall make a list of audit companies with determining qualifications of audit company to be included in such list to ensure that the quality, ethics, and independence of auditing company. The commercial bank may select to hire audit company based on a list of auditing companies to perform an audit of its bank.

While performing an audit, if the audit company is found to be in violation of relevant laws and regulations, the Bank of the Lao PDR is entitled to order such commercial bank to suspend or terminate the hiring of such audit company.

## **Article 74 Obligations of Audit Company**

The audit company is obliged to cooperate and provide information to the Bank of the Lao PDR in accordance with the laws and regulations or on the request of the Bank of the Lao PDR.

## **Part VI**

## **Early Intervention Measures and Resolution of Commercial Bank in Crisis**

### **Chapter 1**

### **Early Intervention Measures**

## **Article 75 Situations of Commercial Bank That Will Be Applied Early Intervention Measures**

The commercial bank is subject to the imposition of early intervention measures, if it is under any following situations:

1. Engagement in unsafe and unsound business practices or activities that endanger the interests of depositors;
2. Infringement, or is likely to be an infringement of financial prudential regulation;
3. Weaknesses of corporate governance, internal control and accounting practices which may pose commercial bank or companies in the group at high risks;
4. Lack of liquidity which often settled by using the source of funds from the Bank of the Lao PDR;
5. A low level of profitability or tendency of decline in profit on a continuous basis which may impact commercial bank in medium and long-term;
6. Facing risk that may be caused by its head office, group, or conglomerate to which they belong;
7. Facing obstacles to conduct consolidated supervision;
8. Facing other situations as defined by the Bank of the Lao PDR.

## **Article 76 Early Intervention Measures**

The Bank of the Lao PDR may impose any of early intervention measures on commercial bank that falls under situations as defined in Article 75 of this Law as follows:

1. To discuss with shareholders and managers to identify solutions;
2. To require the commercial bank to set a resolution plan and implement such plan;
3. to require the commercial bank or managers of commercial bank to create debt restructuring plan with debtor which complied with the resolution plan;
4. To require commercial bank to address liquidity issues and asset management in appropriate with the source of capital;
5. To require shareholders of commercial bank to increase registered capital within the specified timeframe;
6. To require commercial bank to increase loan loss provisions to secure higher risk;
7. To require commercial bank to reduce operating costs, including administrative expenditure;
8. To require commercial bank to reduce potential risk that are originated from their transactions, products, and governance;

9. To require commercial bank to report continually on financial position, including capital adequacy and liquidity;

10. To require commercial bank to use its net profit to increase capital by limiting the distribution of dividends and other expenses;

11. To require commercial bank to restructure the shareholding or form of enterprise, business operation strategy, organizational structure and risk management system;

12. To require commercial bank to conduct loan restructuring, limit providing new loans and investment;

13. To require commercial bank to limit the capital deduction, acquisition of assets and/or taking deposits;

14. To restrict rights of major/principal shareholder;

15. To restrict rights or order the dismissal of faulty managers;

16. To restrict types and location of the bank business operations in case the commercial bank is in situations as defined in Article 75, Clause 6 and 7 of this Law;

17. To apply other measures as the Bank of the Lao PDR considers appropriate.

The Bank of the Lao PDR shall define clear regulations on the application of early intervention measures.

#### **Article 77 Obligations of Commercial Bank Used Early Intervention Measures**

The commercial bank, which applied the early intervention measures, shareholders or managers are obliged to cooperate, provide information in an accurate, complete and timely manner as required by the Bank of the Lao PDR.

The managers and employees of commercial bank shall cooperate and facilitate the supervisor of the Bank of the Lao PDR.

#### **Article 78 Reporting on the Implementation of Early Intervention Measures**

The commercial bank shall report the results of the implementation of early intervention measures to the Bank of the Lao PDR as defined by the Bank of the Lao PDR.

In case the Bank of the Lao PDR required an audit by the auditing company during the implementation of early intervention measures, once the audit is completed, the auditing company shall submit its audit report to the Bank of the Lao PDR within a period as defined by the Bank of the Lao PDR.

## **Chapter 2 Resolution of Commercial Bank in Crisis**

#### **Article 79 Commercial Bank in Crisis**

The commercial bank in crisis is a commercial bank that has weak financial position and instability, which falls under any of the following situations:

1. Inability to perform its obligations to the depositors or other creditors;

2. Violation of prudential regulations as defined by the Bank of the Lao PDR, including capital adequacy ratio falls more than half of minimum requirement, severe illiquidity, which may not be resolved;

3. Failure in early intervention measures, causing the commercial bank to fall under situations as defined in Clauses 1 or 2 of this Article;

4. Embezzlement, fraud, or lack of transparency in the management and operations of businesses, which may cause negative impacts on the ability to pay debts and interests of depositors.

#### **Article 80 (Amended) Resolution of Commercial Bank in Crisis**

When a commercial bank is in crisis, as defined in any circumstances in Article 79 of this Law, the Bank of the Lao PDR shall appoint a Control Committee to resolve such commercial bank without any consent from debtor(s) or shareholders of the bank.

Resolution of commercial bank in crisis aims to fulfill the following objectives:

1. Ensuring the continuity of critical functions of a commercial bank;
2. Avoiding adverse effects on the financial market, particularly to control the spread out such affect and to maintain the market disciplines;
3. Protecting assets of depositors and other creditors.

The Bank of the Lao PDR shall take appropriate measures for the commercial bank in crisis to minimize the costs and avoid destruction on asset values unless necessary, to fulfill the objectives as defined in paragraph 2 above.

The resolution of commercial bank in crisis shall avoid utilizing funding sources from the State.

#### **Article 81 (Amended) Control Committee**

In resolving the commercial bank in crisis, the Bank of the Lao PDR shall appoint the Control Committee, comprising of representatives from the Bank of the Lao PDR, Ministry of Finance, Deposit Protection Office and other relevant authorities as deemed necessary to participate in such bank resolution based on specific circumstance.

The Control Committee has a term of six months and may be extended twice, each time shall not exceed three months.

Costs to be used in the implementation of resolution measures of the commercial bank in crisis, including wage of the Control Committee, shall be paid by such commercial bank.

#### **Article 82 (New) Rights and Duties of Control Committee**

The Control Committee has the following rights and duties:

1. To inspect, gather and create a record of assets and liabilities of the commercial bank;
2. To inspect and evaluate the result from the implementation of early intervention or crisis measures based on the evaluation of the Bank of the Lao PDR;
3. To develop resolution plan for commercial bank in crisis according to Article 83 of this Law and shall submit to the Bank of the Lao PDR for consideration and approval before its implementation;

4. To take control over the business operations and to resolve problems in business operations, including revocation of contract/s, continuation or change of contract/s, acquisition or sale of assets, write-down debts, termination of certain business activities, withdrawal of investment or sale of affiliate business activities;
5. To ensure continuity of key business operations with clients and other relevant parties;
6. To assess real financial position of the commercial bank;
7. To exercise other rights and perform other duties in place of shareholders and managers of commercial bank in exercising resolution of the commercial bank in crisis, and to remove and replace members of the board of directors and managers who are incapable or in breach of the laws which caused the bank to be in crisis;
8. To request the court to reconsider that certain action or activity of commercial bank that has been completed within one year prior to the appointment of Control Committee to be void in case such action or activity is considered as causing damages to the bank;
9. To summarize and report the implementation of resolution plan and its activities to the Bank of the Lao PDR;
10. To exercise other rights and perform other duties as defined in the laws and regulations.

### **Article 83 (Amended) Resolution measures for Commercial Bank in Crisis**

The Bank of the Lao PDR may perform one or more of the following measures for commercial bank in crisis:

1. Recapitalization;
2. Merge with other commercial bank or sell the business to other commercial bank or other legal entity that is financially sound;
3. To transfer assets and liabilities, including rights and obligations of commercial bank in crisis to the third party;
4. To dissolve and liquidate such commercial bank;
5. To refer to court for bankruptcy order when the value of all assets is insufficient for settlement;
6. To apply other measures as defined in regulations issued by the Bank of the Lao PDR.

If the resolution of the commercial bank in crisis is related to the affiliates of such commercial bank, the Bank of the Lao PDR shall coordinate with relevant competent authority which such affiliate belongs to.

## **Part VII**

### **Dissolution, Bankruptcy and Settlement**

#### **Chapter 1**

#### **Dissolution and Bankruptcy**

### **Article 84 (Amended) Dissolution of Commercial Bank**

The Bank of the Lao PDR may consider commercial bank dissolution upon request by such commercial bank based on the shareholders' meeting resolution or by order of the Bank of the Lao PDR under any or all of the following reasons:

1. Granted business license based on inaccurate information providing;
2. Failure to operate business activities within ninety days from the date of business operating license was granted;
3. Having severe violation of regulations which caused damages to the commercial bank, banking system or society;
4. Being in crisis which deemed to be unable to resolve through other measures or failed to recover after implementing those measures, where the value of all assets is sufficient for settlement.

In case of dissolution as defined in Clause 4 of this Article, the Control Committee shall propose to the Bank of the Lao PDR to consider and notify the Deposit Projection Office to pay the protected deposits in accordance with the laws.

#### **Article 85 (Amended) Dissolution of Foreign Commercial Bank Branch**

The Bank of the Lao PDR may consider foreign commercial bank branch dissolution upon a request by the head office of foreign commercial bank branch or by order of the Bank of the Lao PDR under any or all of the following reasons:

1. Granted business license based on inaccurate information providing;
2. Failure to operate business activities within ninety days from the date of business operating license was granted;
3. Failure to resolve the crisis;
4. Dissolution or bankruptcy of the head office of the branch of foreign commercial banks.

After dissolution of the branch of commercial bank, the Bank of the Lao PDR shall remove banking business operating license of such foreign commercial bank branch.

In case of dissolution as defined in Clauses 1, 3 and 4 of this Article, the Bank of the Lao PDR shall appoint Settlement Committee to proceed with settlement procedure.

In case of dissolution as defined in Clause 3 of this Article, the Bank of the Lao PDR shall notify the Deposit Protection Office to pay the depositors in accordance with the relevant laws and regulations.

The head office of the foreign commercial bank branch shall be responsible for the payment of debts of its dissolved branch in full amount.

#### **Article 86 (Amended) Bankruptcy of Commercial Bank**

In resolving commercial bank in crisis under the resolution measures as defined in Clause 5, Article 83 of this Law, the Bank of the Lao PDR shall request the court to consider and issue a court decision for announcement of bankruptcy of such commercial bank within sixty days from the date of filing complete request. The court decision on announcement of bankruptcy may not be appealed.

Simultaneously, the Bank of the Lao PDR shall notify the Deposit Protection Office to pay protected deposit to depositors accordingly to relevant laws and regulations.

#### **Article 87 Effects of Dissolution or Bankruptcy of Commercial Bank**

After dissolution or bankruptcy, the commercial bank is subject to withdrawal of a business operating license and carry out debt settlement.

The dissolved commercial bank shall be responsible for returning the deposits to its customers and payment of other debts in full amount.

The Bank of the Lao PDR shall delete the name of dissolved or bankrupted commercial bank from a list of commercial banks that disclosed to the public.

## **Chapter 2**

### **Debt Settlement**

#### **Article 88 (Amended) Debt Settlement/Liquidation**

After dissolution or bankruptcy accordingly to the court decision, the Bank of the Lao PDR shall appoint Settlement Committee as defined in regulations of the Bank of the Lao PDR.

In case of voluntary settlement of commercial bank being dissolved, if it is considered that such commercial bank has capacity to pay its debts to depositors and other creditors in full amount, the Bank of the Lao PDR may allow such commercial bank to proceed with settlement by itself, but it is required a close monitoring.

#### **Article 89 (Amended) Rights and Duties of Settlement Committee**

The Settlement Committee has the following rights and duties:

1. To perform duties in place of the managers and shareholders of commercial bank in settlement procedure;
2. To take control over the office, accounting books, other records and assets of commercial bank or its affiliate;
3. To terminate contracts of commercial bank that are made incorrectly;
4. To protect assets of commercial bank from loss or damage;
5. To collect assets of commercial bank;
6. To record the list of borrowers, debtors, and assets, redraft balance sheet of commercial bank and submit to the Bank of the Lao PDR, as well as to make available to public;
7. To determine the amount of money to be paid according to the priorities;
8. To create plan, method, and forms for asset settlement debts to propose to the Bank of the Lao PDR for consideration;
9. To propose to related stakeholders for facilitating the settlement;
10. To report to the Bank of the Lao PDR on the progress of settlement regularly;
11. To exercise other rights and perform other obligations as defined in the laws.

#### **Article 90 (Amended) Priorities in Debt Settlement**

Debt settlement shall be complied with the order of the following priorities:

1. Payment of salary and wages of employees of commercial bank, except for managers;
2. Costs of settlement process;
3. Compensation to the Deposit Protection Office;
4. Repayment of unprotected deposits and the remaining of protected deposits;
5. Payment of contractual secured debts;

6. Payment of financial obligations to the State;
7. Payment of unsecured debts;
8. Distribution to shareholders of commercial bank or transfer to head office.

#### **Article 91 (Amended) Effects of Settlement**

Effects of the settlement are as follows:

1. Legal and contractual rights of commercial bank which have been or will be expired, shall be extended for another six months from the date of the Settlement Committee initiated its duties;
2. Seizure of assets or loan collateral of commercial bank during the time of debt settlement shall be terminated, except for the case that such seizure or collateral happened six months prior to the date that the Bank of the Lao PDR approved dissolution or the date that the Bank of the Lao PDR requested the court to issue a court decision to declare bankruptcy;
3. The rights of the shareholders shall be terminated, except for the rights to receive distribution of remaining assets from settlement.

#### **Article 92 (Amended) Cost of Settlement**

The dissolved or bankrupted commercial bank shall be responsible for the cost of settlement according to the consideration of Settlement Committee based on the approval of the Bank of the Lao PDR.

#### **Article 93 (Amended) Final Report of Settlement Committee**

After debt settlement is completed, the Settlement Committee shall submit a report to the Bank of the Lao PDR. In circumstance of bankruptcy, the Settlement Committee shall also submit such report to the Judgment Enforcement Authority to close the case.

After the Bank of the Lao PDR approved such report, the responsibility of the Settlement Committee shall be ended, and the debt settlement shall be deemed completed.

### **Part VIII**

#### **Lao Bankers' Association**

#### **Article 94 (New) Lao Bankers' Association**

Lao Bankers' Association is an association, which is voluntarily established and operated s activities for non-profit purposes with an aim to gather commercial banks. It plays key role in collaborating with bank supervisory authority; provides assistance, consultancy and recommendations; exchanges the lessons and protects legitimate rights and interests of the association and its members.

Lao Bankers' Association shall perform its activities based on principles and regulations as defined in relevant laws and regulations.

#### **Article 95 (New) Rights and Duties of Lao Bankers' Association**

Lao Bankers' Association has the following rights and duties:



1. To research, develop regulations on activities of association;
2. To research, develop ethnic code of activities of commercial banks;
3. To disseminate the laws, regulations and provide banking information to its members and the society;
4. To research and upgrade knowledge, capacity on financial and banking matters to its members;
5. To manage, monitor, and inspect the business operations of its members;
6. To cooperate and become a membership of regional and international bankers' associations;
7. To cooperate with bank supervisory authority and relevant State authorities;
8. To be responsible for any damages, which are resulted from its operations;
9. To exercise other rights and perform other duties as defined in the laws.

#### **Article 96 (New) Members of Lao Bankers' Association**

A commercial bank, including foreign commercial bank branch having banking business operating license in Lao PDR may become a member of Lao Bankers' Association.

Members of Lao Bankers' Association are treated equally, have rights and obligations as defined in by-law of the association as approved by the Bank of the Lao PDR.

### **Part IX Prohibition**

#### **Article 97 General Prohibition**

Individuals, legal entities, and organizations are prohibited to behave as the followings:

1. To use the word "bank" or any word that has a meaning as bank in their businesses, products or services without obtaining authorization to establish as commercial bank;
2. To operate banking business activities without permission from the Bank of the Lao PDR;
3. To claim falsely or advertise distort information causing damages to banking system ,consumers, and society;
4. To abuse banking services for illegal activities;
5. To refuse or do not provide cooperation with inspectors of the Bank of the Lao PDR and State authorities concerned;
6. To use incorrect information, falsified documents for using banking services;
7. To have other behaviors that violate the laws.

#### **Article 98 (Amended) Prohibition for Commercial Bank**

The commercial bank, including its managers and employees are prohibited to behave as follows:

1. To do or engage in any transactions that may favor itself or others to become market dominance position;
2. To operate manipulative transaction for gaining advantage or creating unfair disadvantage between banks and other sectors;

3. To require or set conditions that are inconsistent with the laws, which make consumers to accept its services or services of its affiliate;
4. To purchase assets of affiliate, and securities that its affiliate guaranteed;
5. To provide or disclose untrue information;
6. To provide credits for facilitating to buy bank's security or security that guaranteed by its affiliate;
7. To provide credits by having its shares or its affiliate as collateral;
8. To distribute dividends in case of losses;
9. To omit or fail to resolve matters according to the notification of from the Bank of the Lao PDR;
10. To disclose information of customers without authorization;
11. To do transactions in the customers' accounts inconsistent with regulations or without permission;
12. To have other behaviors violating the laws.

**Article 99 (Amended) Prohibition for Control Committee ,Settlement Committee and Relevant Employees**

The Control Committee, Settlement Committee and relevant employees are prohibited to behave as follows:

1. To disclose confidential information on bank supervision activities without authorization;
2. To abuse duties, positions to seek personal interests, interests of their family and parties;
3. To purchase assets of commercial bank that are in settlement process;
4. To take, demand, ask for bribes or other remuneration;
5. To have other behaviors that violate the laws.

**Part X**  
**Supervision and Inspection of Commercial Bank**

**Chapter 1**  
**Supervision of Commercial Bank**

**Article 100 Bank Supervisory Authority**

The Government centrally and uniformly supervises commercial bank in countrywide by assigning the Bank of the Lao PDR to directly responsible and cooperate with other relevant sectors.

**Article 101 Rights and Duties of the Bank of the Lao PDR**

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

1. To research, develop policy, laws, strategy and plans on the supervision of commercial banks and propose to higher level for consideration;
2. To develop, amend legislation, manuals, and plans for commercial bank supervision from time to time;
3. To disseminate, instruct and support the implementation of laws and regulations relating to the commercial bank supervision activities throughout the country;

4. To issue and revoke the banking business operating licenses;
5. To inspect the prudential regulation implementation through commercial bank system as well as the implementation of other laws and regulations concerned;
6. To develop recovery plan for systematically important banks;
7. To apply prompt collective action or resolution of commercial bank in crisis;
8. To apply measures to commercial bank that violate the laws and regulations on bank supervision;
9. To train and upgrade banking technical personnel;
10. To determine and collect annual management fees from commercial banks;
11. To collaborate with relevant domestic sectors on the supervision of commercial bank activities;
12. To carry out foreign, regional, and international cooperation on commercial bank supervision activities;
13. To report results its performance to the government on regular basis;
14. To exercise other rights and perform other duties as defined in the laws and regulations.

#### **Article 102 (New) Rights and Duties of Relevant Ministries, Authorities, Local Administrations, and other Stakeholders**

Ministries, authorities, local administrations, and relevant stakeholders have rights and duties to cooperate and provide related information on the supervision of commercial banks to the Bank of the Lao PDR according to their roles and responsibilities.

## **Chapter 2**

### **Inspection of Commercial Banks**

#### **Article 103 Inspection Authority**

The inspection authority of commercial bank is the same authority as commercial bank supervision authority as defined in Article 100 of this Law.

#### **Article 104 Forms of Inspection**

There are three forms of commercial bank inspection as follow:

1. Regular inspection which is conducted on regular schedule with fixed timelines;
2. Advanced-notice inspection, which is unplanned inspection in case of necessary, that must notify the commercial bank to be inspected in advance;
3. Urgent inspection which is conducted in case of urgency without any prior notice.

The inspection may be carried out both off-site and on-site inspections, where inspectors shall comply with the laws strictly.

#### **Article 105 Off-site Inspection**

The Bank of the Lao PDR shall perform off-site examination regularly through collecting and analyzing the reports, documents, and information on the operations of

commercial banks as well as to inspect the accuracy of information and assess the situations, risk profile and internal control of the commercial banks.

#### **Article 106 On-site Inspection**

The Bank of the Lao PDR shall carry out on-site examination of commercial bank on operations, actual internal situations, and soundness of commercial bank, in which the main content of the inspection are as follow:

1. Business operations in general;
2. Implementation of prudential regulations;
3. Risk inspection and assessment ,risk management and internal control;
4. Monitoring the weak point solution implementation of the bank that previous inspection recommended;
5. Other necessary contents.

After completing on-site examination, the Bank of the Lao PDR shall submit a summary report on the on-site inspection to the board of directors of the respective commercial bank.

In case the Bank of the Lao PDR has designated other authority to carry out any on-site inspection on its behalf, such commercial bank shall be responsible for all expenses related to such on-site inspection.

#### **Article 107 Rights and Duties of Inspector of 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 prudential requirements;
2. To access and examine the accounts, books, documents, electronic data, and other records of commercial bank or its affiliates;
3. To require the managers, employees and agents of commercial bank or its affiliates to provide all information on any matter relating to their administration and operations;
4. To invite the managers, employees and agents of commercial bank or its affiliates to clarify on the issues to inspectors of the Bank of the Lao PDR;
5. To inspect commercial bank that is suspected to violet the laws and regulations and to collect relevant documents;
6. To organize a meeting with the board of directors and managers of the commercial bank in order to assess the result of the bank operation, the compliance with this Law, other relevant laws and regulations after completion of each on-site inspection;
7. To impose early intervention measures as designated by the Bank of the Lao PDR;
8. To exercise other rights and perform other duties as assigned by the Bank of the Lao PDR.

#### **Article 108 Inspection on Branch, Representative Office and Affiliate of Commercial Bank**

The Bank of the Lao PDR has right to conduct off-site and on-site inspections on branches, representative offices and affiliates of commercial banks located in Lao PDR and overseas through cooperation mechanism and coordination with relevant authorities.

#### **Article 109 Cooperation with Inspectors**

The shareholders, managers and employees of the bank subjected to inspection shall cooperate and facilitate the Bank of the Lao PDR and inspectors of the Bank of the Lao PDR.

In case the Bank of the Lao PDR and inspectors of the Bank of the Lao PDR invite the shareholders, managers, or employees for a meeting, they shall come and meet in person.

The commercial bank shall provide accurate and completed documents and information on the business that are possessed by itself or custodian to the inspectors of the Bank of the Lao PDR on timely manner according to timeframe as specified by such inspector.

The commercial bank shall appoint appropriate employees to be responsible for coordination with related parties to ensure timely provision of information to inspector.

#### **Article 110 Reporting**

The commercial bank shall report information on their business operations according to reporting template and regulations of the Bank of the Lao PDR.

Main information that shall be reported to the Bank of the Lao PDR are comprised of policy and business plan, governance, financial statement and/or financial information of the affiliate, information on deposits and credits.

In addition, the Bank of the Lao PDR may require additional documents from the commercial bank, including its network, professional service providers and any person providing services to commercial bank.

### **Part XI**

#### **Policy towards Outstanding Performers and Measures Against Violators**

#### **Article 111 Policy towards Outstanding Performers**

An individual, legal entity or organization having outstanding performance in the implementation of this Law shall be awarded or received other incentives according with the regulations.

#### **Article 112 (Amended) Measures against Violators**

An individual, legal entity or organization violating this Law shall be taken measures through re-education, warning, disciplinary action, fines, civil compensation or criminal punishment according to the laws.

### **Part XII**

#### **Final Provisions**

#### **Article 113 Implementation**

The Government of the Lao People's Democratic Republic is responsible for the implementation of this Law.

**Article 114 (Amended) Effectiveness**

This Law is effective from 15 September 2023 after the President of Lao People's Democratic Republic issued a Presidential Decree on the Promulgation of the Law and posted on the official gazette.

This Law replaces the Law on Commercial Bank No.56/NA, dated 7 December 2018.

**President of the National Assembly**

[Signed & Sealed]  
Dr. Saysomphone Phomvihane