

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

No 01/BOL
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Instruction on Implementation of Decree Law on Management of Foreign Currency and Precious Metals No. 1/PC dated 17 March 2008

- Based on the Law of the Bank of the Lao PDR No. 5/NA dated October 14, 1999
- Based on the Decree Law on Management of Foreign Currency and Precious Metals No. 1/PC dated 17 March 2008.

The Governor of the Bank of the Lao PDR issues the Instruction:

Part I : General Provisions

Article 1. Purpose

To describe details of several articles of the Decree Law on Management of Foreign Currency and Precious Metals to facilitate the implementation with good result and to fulfill the objectives as stipulated in the Decree Law.

Article 2. Definition

- “The Decree Law” means the Decree Law on Management of Foreign Currency and Precious Metals No. 1/PC dated 17 March, 2008;
- “Foreign exchange business” means the transaction related to foreign exchange;
- “Commercial and service credit” means buying goods and services in credit or having goods and services before paying;

- Bank of The Lao PDR;
- Investment license;
- Business license..

4. For remittance of profit and dividend of a foreign investor, application set shall comprise of:

Application for buying foreign currency of the foreign investor;

Dividend allocation agreement of management board or share holders' meeting.

- Investment license;
- Business license.

5. To transfer capital of a foreign investor back home or to the third country, application set shall comprise of:

Application for buying foreign currency of the foreign investor;

Certificate for business down sizing or capital reduction, but still continuing business;

Capital importation certificate issued by the Bank of The Lao PDR;

Closure certificate, sale contract or sale of shares contract based on the decision of the management board or share holders' meeting or certificate of bankruptcy by the court.

6. For transferring the received interest and wage/salary of foreigners back home or to the third country, application set shall comprise of:

Application for buying foreign currency of the foreign investor or employees;

Employment contract relating to income;

Certificate of deposit or bond ownership.

7. For capital investment abroad, application set shall comprise of :

- Application for buying foreign currency;
- Approval of Ministry of Education of the Lao PDR or the confirmation of a study place from an external institution.

10. For traveling overseas, application set shall comprise of:

- Application for buying foreign currency;
- Passport with a visa issued by the Ministry for Foreign Affairs.

The Bank of The Lao PDR will not allow any persons to buy foreign exchange and deposit in the domestic accounts.

As for other transactions which require foreign exchange to settle with foreign parties, but are not stipulated in this article, a commercial bank may sell its foreign exchange, but the person who wants to buy foreign exchange has to fulfill the application set completely and correctly in accordance with the regulations.

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Article 6. Exchange Rate Determination

The commercial banks and foreign exchange bureaux may determine their own exchange rate based on the reference rate and regulations issued periodically by the BOL.

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- Application for opening a foreign currency account;
- Investment license issued by the Ministry of Plan and Investment.

4, The use of foreign currency account of a resident and a non-resident legal person of the Lao PDR

The foreign currency account is used to receive the account owner's income both in cash and transferred money which are legally earned, to receive investment fund, approved foreign loans, dividends or profit from approved investment abroad.

This money may be withdrawn in cash or transferred to another account. When the money is used to spend within the country, it shall comply with article 3 of this decree law and this instruction.

Article 8. Right to hold foreign currency of an individual

A resident and non-resident of the Lao PDR has the right to hold foreign currency by opening a bank account or having in their pockets. But when they want to spend within the country, they shall exchange into Kip with a commercial bank or a licensed exchange bureau.

Article 9. Opening and using a bank deposit Kip account of a non-resident of the Lao PDR

A commercial bank will allow non-residents of the Lao PDR to open bank deposit Kip account and allow the owner of the account to transfer or withdraw the money to pay for the goods, services and investment domestically and may exchange Kip into foreign exchange to bring back to their own country or to the third country.

Article 10. Opening and using a bank deposit foreign account (Nostro account) of a resident of the Lao PDR

1. The following residents of the Lao PDR are allowed to open nostro account:

- Person who represents the Government of the Lao PDR abroad;
- Person who is allowed to study overseas;
- Person who is allowed to work overseas including staff of the company authorized to operate overseas.

2. A legal person of the Lao PDR who wants to open a nostro account shall file the following documents for approval:

- Application to open a nostro account (with the forms issued by the Bank of The Lao PDR);
- Business license or approval letter to open a branch or a resident representative office overseas (in case it is a business indicated in Article 11 of the Decree Law).
- An approval letter for foreign borrowing issued by The Bank of The Lao PDR and External loan contract (in case the nostro account shall be opened according to conditions of the external loan);

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Article 16. Bringing in or out of the Lao P

foreign currency deposit account of the Ministry of Finance at the Bank of The Lao PDR or the foreign exchange bought from the Bank of The Lao PDR.

Article 19. External Grants

As for external grants, they shall comply with Article 24 of the Decree Law.

Article 20. External borrowing and the management of external commercial credit

1. External borrowing:

An individual resident and a legal person of the Lao PDR, including commercial banks and other financial institutions and state-owned enterprise, who want to borrow externally shall apply to the Bank of The Lao PDR for approval. The application documents include:

- An application for borrowing externally;
- A brief feasibility study of the project needing a foreign loan;
- The fund use plan, the debt payment plan;
- The draft of the loan contract or evidence of connection between borrower and creditor;
- Resolutions of the meeting or decision on external borrowing;
- Business license and tax license (for a legal person);
- A copy of investment license (for foreign investors).

Foreign borrowing including commercial credit of the state-owned enterprises shall be approved by the Bank of The Lao PDR and based on the agreement of the Ministry of Finance.

2. Management of external loans:

External loans shall be brought in and used through the account of the borrower opened at a commercial bank located in Lao PDR. Loans may be withdrawn from the account to exchange into Kip to be used domestically except for the case approved by the Bank of The Lao PDR.

The Bank of The Lao PDR or the Government will not provide a guarantee for private borrowing. The borrower shall report the loan implementation including disbursement, use and debt repayment to the Bank of The Lao PDR every month until the loan is fully repaid.

3. The approval and the supervision of commercial credit from abroad:

An individual person and a legal person who wish to give or receive a foreign commercial credit and a foreign service credit shall apply to the Bank of The Lao PDR for approval in order to manage foreign exchange. For other purposes, they shall comply with other agencies' regulations. The application documents include:

- An application to give/receive a foreign credit;
- Revenue and repayment plan;
- Draft of commercial credit contract or evidence of connection between the commercial credit receiver and giver;
- Business license and tax license (for a legal person);

The Bank of The Lao PDR is responsible for checking the evidence of the actual capital importation and issues a certificate of actual capital importation to the foreign investors regularly.

Those foreign investors who have headquarters in the provinces will declare their capital importation with a branch of the Bank of The Lao PDR or an authorized commercial bank in order to issue a certificate of capital importation.

Article 23. Transfer of fund to foreign countries.

1. An individual or a legal person invested in the Lao PDR who want to transfer approved profit, dividend, capital and interest received from their business operation, to the home country or the third country shall apply to a commercial bank with the following documents:
 - An application to transfer the money;
 - Bank account statement issued by the commercial bank where the money has been deposited;
 - Certificate of capital importation issued by the Bank of The Lao PDR;
 - An approval letter to borrow issued by the Bank of The Lao PDR (for the transfer of loan and loan interest);
 - Decision of the board of directors or shareholders' meeting on the dividend distribution of the company.

2. For the transferring of capital out of the Lao PDR

- A bank account statement of the investor issued by the commercial bank where the money has been deposited;

Part VII: Management of Precious Metals Business

Article 25. The establishment and the management of precious metals business

1. The establishment of a business for export and import of precious metals.

An individual and a legal person of the Lao PDR having a purpose to operate an export and import of business of precious metals (gold and silver bars) which may be used as a means for international settlement shall file with the following documents and have following requirements:

- An application to establish a company for import and export of precious metals according to the forms provided by the Bank of The Lao PDR;
- The registered capital of at least 20 billion Kip of which 80 percent in cash and 20 percent in other assets;

addition, commercial banks and other financial institutions have the right to request the individuals and legal persons that operate the foreign currency business to report the foreign currency operations as necessary. In case there is a violation the Decree Law and this Instruction, the commercial banks and other financial institutions shall report to the BOL urgently.

Article 27. Planning the Balance of Payment

The Bank of The Lao PDR is responsible for compiling the balance of payment to monitor and analyze the international payments between Lao PDR and the rest of the world in foreign exchange .

All concerned parties are responsible to supply revenue and expenditure in foreign exchange and the revenue

