

LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 05/95/NA

**LAW NO. 5 DATED OCTOBER 14, 1995
ON
THE BANK OF THE LAO PDR**

**PART I
GENERAL PROVISIONS**

Article 1 The Function of the Law on the Bank of the Lao PDR
Law on the Bank of the Lao PDR determines the characteristics, role, rights and

1. Shall have the sole right to issue notes and coins denominated in kip with the approval of the Government and shall manage the currency circulation in the whole country;
2. To carry out macro monetary management and shall be the bank of the commercial banks and financial institutions under its supervision and shall be the lender of last resort of the commercial banks and financial institutions with the objective to implement the monetary policy;
3. To implement the policy of foreign exchange management and the exchange rate;
4. To issue its own central bank bills with the objective to carry out monetary policy. To buy and sell the bills directly with the commercial banks and other financial institutions;
5. To give a license for the establishment of its own branch, a license for the establishment of domestically incorporated bank, a branch of a foreign bank and a financial institution under its supervision.

Article 5 Duties of the Bank

The Bank of the Lao PDR shall have the following duties:

1. To supervise the commercial banks and other financial institutions under its supervision to ensure the stability of the banking system;
2. To maintain and manage the foreign reserve of the Government;
3. To collect data and information from the concerned people, commercial banks and financial institutions under its supervision in order to compile statistics and do the analysis of the banking sector;
4. To regularly report to the Government on the economic, monetary and banking situations;
5. To be the agent of the Government in the international monetary, credit and banking institutions and to sign the international agreements with the delegated power from the Government;
6. To carry out other duties according to the Government assignment⁹⁵

The expenditure includes:

- Administration and technical costs;
- Depreciation of fixed assets;
- Devaluation of currency and doubtful debts;
- Risk taking provision of the Bank.

The Board of Governors of the Bank of the Lao PDR shall determine the ratio of the amount of fund deducting from revenue to be expenditure of different types.

Article 8 Business Expansion Fund of the Bank

Business expansion fund of the Bank of the Lao PDR shall be the reserve in order to expand the activities and assets of the Bank of the Lao PDR. The business expansion fund shall be deducted from the net profit of the Bank in each financial year. The Board of

Article 12 Appointment and Terms of Office of the Board of Governors

Members of the Board of Governors of the Bank of the Lao PDR shall be appointed or removed from office by the Prime Minister based on the proposal of the Governor of the Bank of the Lao PDR.

The Board of Governors shall have terms of office for five years. Members of the Board of Governors may be re-appointed.

Article 13 Cease From Terms of Office of the Members of the Board

The members of the Board of Governors shall cease from terms of office in case of the expiry of the term, death, resignation or removal from office. The resignation shall be approved by the Prime Minister.

In case any member of the Board of the Governors dies, resigns or is removed from office causing inconvenience for the task of Bank, the Prime Minister shall appoint another person at the earliest opportunity in accordance with the provisions of Article 12 of this Act to ensure the continuity for the remaining period of the Board.

Article 14 Rights and Duties of the Board

The Board shall have the following rights and duties:

1. To assist the Government on economic and monetary matters;
2. To approve By-Laws of the Bank of the Lao PDR;
3. To approve the organizations, the operations of the commercial Banks and financial institutions under its supervision, including regulation for supervising;
4. To decide the bases for the determination of the external value of the kip to determine the exchange rate, unless when the exchange rate has changed a great deal, this shall be approved by the Government;
5. To determine the policy on foreign exchange management;
6. To determine the quick assets ratio and the reserve requirement ratios and similar obligations, to determine the calculation methods of those ratios for the same types of commercial banks to unanimously apply;
7. To approve regulations on the interest rates of loans and deposits, discount rates of bills and other ratios;
8. To study a draft of monetary, credit and banking policy and other drafts of policies based on the proposal of the Governors of the Bank of the Lao PDR before submitting to the Government for approval;
9. To approve the annual report, the balance sheet, the profit and loss statement and the annual budget of the Bank of the Lao PDR;
10. To approve the external auditor to do the auditing of the bank.

Article 15 Meetings of the Board

The Board shall carry out its functions by holding meetings. Meetings shall be held at least once every two months on the request of the Chairman or on the proposal of at least two members of the Board.

Ordinary meetings of the Board shall require a minimum of seven days written notice with agenda of the meetings to the members of the Board. In case of necessity, extraordinary meetings may be held at any time.

The quorum for a meeting of the Board shall consist of more than one half of the members of the Board. Decisions of the meetings shall be taken by a simple majority of those present and voting, In the case of an equality of votes, the Chairman shall have a casting vote.

Article 16 Qualifications of the Members of the Board

Members of the Board shall have the qualification as follows:

1. A member of the board shall be a person with sound behavior, ability, long experience and has credibility from money and finance business, from other professionals.
2. The following persons shall not be appointed as members of the board of the Bank of the Lao PDR.
 - Those whose husband or wife, father, mother, brother or sister is a partner or shareholder in the same company, in the commercial bank or financial institution.
 - Those who are members of the Board, the Managing Directors, the managers or employees of a commercial bank or financial institution.
 - Those that were criminally or civilly convicted by the court concerning the credibility of performing their duties as members of the Board of Directors.
3. A member of the Board shall fully disclose to the Board any direct or

Article 19 Rights and Duties of the Governor and Deputy Governor

The Governor of the Bank of the Lao PDR shall have the following rights and duties:

1. To be responsible to the Government on monetary and Banking matters;
2. To facilitate and supervise all transactions of the Bank of the Lao PDR, commercial banks and financial institutions under the supervision of the Bank of the Lao PDR;
3. To issue regulations, announcements of the exchange rate, manage the foreign exchange transactions periodically;
4. To propose to the Prime Minister to appoint Directors of the Department;
5. To appoint Deputy Directors of the Departments of the Bank, the Managing Directors, Branch Head of the state-owned commercial banks;
- 6.

Article 22 Keeping the Confidentiality

While performing their duties, the auditors shall keep the confidentiality of any problems, any documents and any data of the Bank of the Lao PDR, of the commercial banks or financial institutions they have known and seen, except if it has been approved by the Board of Governors and Court ordered.

Part VII
Monetary Units, Notes and Coins

Article 23 The monetary unit of the Lao People's Democratic Republic shall be the "Kip", divided into one hundred "at".

Article 24 The Printing of Notes and the Mining of Coins.

The Bank of the Lao PDR shall print notes and mint coins, determine the form, design and the denominations of the notes and coins to be put into circulation after it gets approval from the Government.

The Bank of the Lao PDR shall arrange for the printing of notes and the mining of coins and for all matters related thereto, and for the security and safekeeping of non-issued notes and coins and for the custody and destruction, as necessary, of plates, dyes and retired notes and coins.

Article 25 The Legal Tender

Notes and coins issued by the Bank of the Lao PDR shall be the legal tender within the Lao People's Democratic Republic. In each note and coin, there shall be a clear denomination.

Article 26 The Withdrawal of Notes and Coins From Circulation

The Bank of the Lao PDR may withdraw notes and coins which are not suitable for use in a new situation with the approval of the Government. A notice shall be given to the public on such withdrawal. A holder of such notes and coins shall be entitled within a period of two years from the date of the notice, claim payment from the Bank of the Lao

Part VIII
International Reserve Foreign Exchange Operations
And Special Reserve Account

Article 29 International Reserve

The Bank shall establish and maintain, such terms and conditions as it may be from time to time determine, an international reserve with the approval of the Government.

An international reserve shall consist of all or any of the following:

1. Gold;

4. Open and maintain accounts with international financial organizations, Central Bank, monetary authorities and authorized financial institutions outside Lao PDR;
5. Open and maintain accounts and act as agent or correspondent for institutions mentioned in "4" of this Article or for foreign governments and their agencies.

The Bank of the Lao PDR shall from time to time determine the rates at which it will buy, sell or deal in foreign currencies.

Article 32 The Limitation of Transactions of the Bank

The bank of the Lao PDR shall deal only with the government, licensed financial institutions, foreign governments and their agencies, international financial organizations, Central Banks, monetary authorities and authorized financial institutions outside Lao PDR.

Article 33 The Special Reserve Account

The Special Reserve Account shall credit the profit or debit the loss of the financial year of the Bank of the Lao PDR arising from any change in the valuations of the Bank's assets or liabilities in, denominated in, gold, special drawing rights or of any change in the values of the Bank's assets or liabilities in foreign currencies of the Government in terms of kip as stipulated in Article 29 of this law.

Article 34 The Methods of Accounting the Special Reserve Account

If the Bank of the Lao PDR has any net losses in any financial year arising from any such change as stipulated in Article 33 above, such losses shall be set off against any credit balance in the Special Reserve Account. If such balance is insufficient to cover such losses, the Government shall issue to the Bank non-negotiable securities to the extent of the deficiency, on such terms and conditions as the Bank of the Lao PDR may determine.

Article 36 The Buying and Selling of Valuable Documents

The Bank of the Lao PDR may, on such terms and conditions as the Board may from time to time determine, purchase from, sell to, discount and rediscount from the account holders:

1. Bills of exchange, promissory notes, certificates of deposits and cheques drawn or made from commercial, industrial or agricultural purposes;
2. Treasury bills or other securities issued or guaranteed by the government

Article 41 The Determination the Position of Foreign Exchange

The Bank of the Lao PDR shall determine the position of one specified hard

Article 49 The Borrowing of Funds From Abroad

The Bank of the Lao PDR shall study and give opinion to the government on matters of foreign borrowing. For the commercial banks, financial institutions and state enterprises, prior to any foreign borrowing, they shall get the approval of the Bank of the Lao PDR.

Article 50 Granting Advances to the Government

The Bank of the Lao PDR may grant temporary advances to the Government in case of necessity, subject to repayment of the principal plus interest within six months. The Bank of the Lao PDR shall determine from time to time the interest rates as applied to the real situation.

The Bank of the Lao PDR may grant to the government additional advances on such terms and conditions as may be agreed in respect of subscriptions and other payments resulting from, or incidental to, the membership of the Lao PDR in any international organizations.

Article 51 Limitations on Advances

Part XII
Measures for those who Violate

Article 55 The Violation of the Reserve Requirement Ratio and Other Regulations

The commercial banks and financial institutions under the supervision of the Bank of the Lao PDR that have violated the reserve requirement ratio or the liquid assets ratio or other regulations shall be penalized or shall be guilty of an offence and shall be liable to a penalty in accordance with the law.

Article 56 Supply of a Wrong Information

Any person who supplies any false or misleading information to the Bank of the Lao PDR on purpose shall be penalized or shall be guilty of an offence and liable to a penalty in accordance with the law.

Article 57 Engaging in a Business Without a License

Any person who engages in the banking business or financial institution business without such license as may be required under the law, shall be penalized or shall be guilty of an offence and shall be liable to a penalty in accordance with the law.

Article 58 The Disclosure of Confidential Matters

If any officer or any person who has collected, known or seen the data and information of the Bank of the Lao PDR, a commercial bank or financial institution during their performance of duties, discloses such data or information without the approval as stipulated in Article 22 of this Law, shall be criminally penalized for disclosure of state secrets.

Article 59 The Abusing of Position

An officer of the bank who abuses his/her position as against the provisions of this law to gain interest for him/herself shall be punished in accordance with the Criminal Code.

Article 60 Other Violations

A person who counterfeits the notes, coins or financial instruments, uses counterfeited notes, coins and financial instruments, destroys notes or coins by way of cutting, tearing, perforating, writing, printing, stamping, drawing, affixing any seal upon such note or in any other way whatsoever mutilates any note or coin issued by the Bank of the Lao PDR, shall be punished in accordance with the Criminal Code.

Part XIII
Final Provisions

Article 61 The Implementation

The Government of the Lao People's Democratic Republic shall implement this Law.

Article 62 Effect of this Law

This Law is effective from the date the President of the Lao People's Democratic Republic issued a Decree Law to promulgate it.