

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**PEACE**

**INDEPENDENCE**

**DEMOCRACY**

**UNITY**

**PROSPERITY**



Article 9      Specific Conditions of a Foreign Commercial Bank

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

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

A foreign commercial bank that wishes to establish a branch in the Lao PDR shall start by first opening its office of representative at least for one year, except for the case that the

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

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

Article 12 Capital Ratios for Liquid Transactions of a Commercial Bank

A commercial bank shall maintain different capital ratios set by the Bank of the Lao PDR to avoid risks as well as to ensure the

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

Article 19      Structure of the Board of Directors

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

Article 20      Rights and Duties of the Board of Directors

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

Setting regulations on the administration, the business management of the commercial bank, the financial, labour and wage management, the meeting per diem and deciding on other important matters;

Monitoring the performance of the management team of the commercial bank,  
approvcpr1(( Tfen5.2(a B) )TJ)-.7(m)9rs rae-eamlalbe(r)1.5.6

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

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

Article 23 Responsibilities of Members of the Board of Directors

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

Article 24 Managing Director

The Managing Director of a commercial bank shall manage and run the business on

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

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

Article 27      General Meeting of the Shareholders

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

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

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

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

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

Article 28      Resolutions of the General Meeting

Resolutions of shareholders' ordinary general meeting nu o on

Article 30 Extraordinary General Meeting

An extraordinary general meeting may be held at any time to consider the amendment



Group IV  
Activities of a Commercial Bank

Article 33      Rights in Carrying Out Activities of a Commercial Bank

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

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

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

Article 34      Accepting Deposits

A person or a legal entity may open an acco



(Unofficial Translation By Mr Panom Lathouly)

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

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

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

Article 44 Internal Auditing

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

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

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

Group VI  
Revenue, Expenditure, Profits and Losses

Article 47 Revenue and Expenditure of a Commercial Bank

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

Revenue:

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

Expenditure:

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

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

Article 48 Profits of a Commercial Bank

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

The net profit shall be distributed as follows:

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

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

Article 49 Losses and Rehabilitation

In the event of losses, a commercial bank shall use its reserve funds to cover its losses or increase its capital to offset its losses in accordance with the decision of the Board of

Article 50 Evaluation of Foreign Exchange

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





Article 66      Borrowing of the State-Owned Enterprises

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

Part IV

Measures for Those who Violate

Article 67      Measures for Those who Violate

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

Part V

Final Provisions

Article 68      Implementation

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

Article 69      Effectiveness

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

This Decree Law is effective from the date of signature.

Vientiane, March 11, 1997  
President of the country

Nouhak Phoumsavanh