



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

BANK OF THE LAO PDR

No. 42/BOL
Dated 15 January 2016

Decision
On Licensing of Commercial Banks and Banks' Branches

- Based on Law on Bank of the Lao PDR No. 05/NA, dated 14 October 1995 and Law on the Amendment of Laws No. 05/NA, dated 14 October 1999;
- Based on Law on Commercial Banks No. 03/NA, dated 26 December 2006 and Decree on the Implementation of Law on Commercial Banks No. 275/PM, dated 25 September 2009;
- Based on the assessment and proposal of Bank Supervision Department No. 10/BSD, dated 12 January 2016.

The Governor of the Bank of the Lao PDR issues the following Decision:

Article 1. Objectives

This decision prescribes principles and rules on the establishment of commercial banks and banks' branches in the Lao PDR in order to be the guidance on requesting and considering the licensing processes, aiming to ensure the safety and soundness of the licensed commercial banks and banks' branches, enabling them to actively contribute to the national socio-economic development and to be ready for the regional and international integration.

Article 2. Principles on Establishing Commercial Banks and Banks' Branches

The establishment of a commercial bank and a domestic or foreign bank's branch shall be approved by Bank of the Lao PDR (BOL).

BOL shall not consider the establishment of any intangible bank and any intangible applicant.

Section II

Establishment of Commercial Banks and Foreign Banks' Branches

Article 3. Shareholding in Commercial Banks

Any individuals and legal entity can be founding shareholders in the establishment of a commercial bank, but it is required to have one or more shareholders, which are existing banks, holding more than 50% (fifty percent) of the total voting shares. An individual can hold no greater than 10% (ten percent) of the total voting shares. A domestic or foreign bank can establish its subsidiary in the Lao PDR, and can hold up to 100% (a hundred percent) shares and can extend its branch network as prescribed under this decision.

Shareholders whether individuals or legal entities shall not have significant interests in more than 2 banks in the Lao PDR, excluding the shareholding in terms of strengthening a weak bank as authorized by BOL.

A shareholding individual who is related by family, or by consanguinity either to the second degree or third degree, shall be all deemed as an individual and subjected to the shareholding limits aforementioned in the first paragraph of this Article.

Article 4. Application Sets

Application sets for establishing a commercial bank or bank's branch shall consist of the following documents:

4.1 General Documents:

- 1) Application form as the template provided by BOL;
- 2) An economic-technical feasibility study as the template provided by BOL;
- 3) Draft article of association (charter) as the template provided by BOL;
- 4) Resolution or Decision appointing a committee responsible for establishment. In the event of appointing an attorney to be responsible for establishing processes, it shall provide a power of attorney in compliance with laws and regulations of the Lao PDR (the attorney shall be a legal entity duly licensed attorney in compliance with laws and regulations of the Lao PDR);
- 5) Joint Venture Agreement (Agreement on establishing the bank);
- 6) Resolution of the founding shareholders' meeting that approves 2nd to 5th items above and appoints the initial board of directors and management team;
- 7) Operation manuals on accounting, risk management, internal audit, human resource management, products and services, anti-money laundering and countering financing of terrorism, etc.;
- 8) A receipt from Banking Operational Department, Bank of the Lao PDR, proving the payment of its application submission fee;
- 9) Other relevant documents specified by One-Stop Service Office on General Business Activities.

4.2 Specific Documents for Legal Entity Applicants:

- 1) Financial reports for the previous 3 (three) years of the applicant(s) certified by an external auditor;
- 2) Proofs of the source of fund to be contributed to the proposed bank certified by the bank where the funds are deposited (for the source of fund to be contributed in monetary terms) and certified by the relevant asset registrar authority (for the source of fund to be contributed in non-monetary terms that subjected to registration) and related purchase documents (for the source of fund to be contributed in non-monetary terms that do not subject to registration);
- 3) A consent letter allowing BOL to verify the source of funds to be contributed to the proposed bank;
- 4) A document certifying the entire shareholding structure of the applicant including its ultimate beneficial ownership;
- 5) A copy of the applicant's business registration including its license;
- 6) A copy of the applicant's article of association;

- 7) A resolution of the board of directors' meeting, shareholder's meeting or other authorized persons of the applicant on the decision to establish a bank in the Lao PDR;
- 8) A letter of the relevant supervisory authority in the home country permitting to establish a bank in the Lao PDR according to laws and regulations of the respective country (for the foreign legal entity);
- 9) A letter of the relevant supervisory authority on its compliance of prudential regulations for the previous consecutive 3 (three) years (for the legal entity that is a foreign bank);
- 10) A report on criminal records or relations to criminals either domestically and internationally, and other negative information that is detected by any domestic and international authority on the legal entity, its ultimate beneficiary and management of the applicant, as the template provided by BOL.

4.3 Specific Documents for an Individual Applicant:

- 1) A report on assets and liabilities as the template provided by BOL;
- 2) Proofs of the source of fund to be contributed to the proposed bank certified by the bank where the funds are deposited (for the source of fund to be contributed in monetary terms) and certified by the relevant asset registrar authority (for the source of fund to be contributed in non-monetary terms that subjected to registration) and related purchase documents (for the source of fund to be contributed in non-monetary terms that do not subject to registration);
- 3) A consent letter allowing BOL to verify the source of funds to be contributed to the proposed bank;
- 4) A curriculum vitae as the template provided by BOL, qualification certificates, certificates of work experiences and profession of the applicants;
- 5) A copy of the identification card (color copy) and an original copy of the criminal record of the Lao applicants. For foreigner applicants, a copy of passport (color copy) and a criminal record or a similar document (original copy) certified by the relevant authority;
- 6) A report on criminal records or relations to criminals either domestically and internationally, and other negative information that is detected by any domestic and international authority on the applicant, as the template provided by BOL.

4.4 Specific Documents for Persons to be appointed as Management:

- 1) A curriculum vitae as the template provided by BOL, qualification certificates, certificates of work, experiences and profession for the previous 5 (five) years consecutively of the management (including the internal auditors) of the proposed bank;
- 2) A copy of the identification card (color copy) and an original criminal record of the Lao manager. For foreign managers, a copy of passport (color copy) and a criminal record or a similar document (original copy) certified by the relevant authority;
- 3) A report on criminal records or relations to criminals either domestically and internationally, and other negative information that is detected by any domestic and international authority on the management, as the template provided by BOL.

4.5 For the Establishment of a Foreign Bank's Branch: the applicant shall follow paragraph 4.1 (excluding item 5 and 6), paragraph 4.2 and 4.4 of this Article; the applicant shall submit the resolution of the board of directors, shareholders' meeting or other relevant corporate authority of the applicant on the approval of documents as mentioned in paragraph 4.1 (from item 1 to 4) and the appointment of the first management team, and the applicant shall submit a statement of commitment from the proposed branch's headquarter on its commitment to cover all liabilities of its branch established in the Lao PDR.

For the proof of the sources of funds to be contributed to the proposed bank, it shall consist of the latest 6 months of bank statements of related establishing shareholders, issued by the bank where the account is held; explanation of the origin of the fund with relevant evidence.

All application sets shall be in Lao language. The documents translated from foreign language shall be certified by the Notary Authority of the Lao PDR. All documents including its copies shall be clear and readable.

Article 5. Application Submission

Application sets on establishing a bank or a foreign bank's branch shall be submitted through the One-Stop Service Office of the general business activities at the Industry and Commerce Authority. After receiving the application set from the authority, BOL will consider the application set according to this Decision.

Article 6. Consideration of the Application

After receiving applications in the complete and correct set according to this Decision, BOL shall consider all documents and shall inform in writing to the applicant within 90 (ninety) days since the date of receiving the applications is complete and correct set.

BOL shall inspect the completeness and correctness of the applications and the criteria for licensing set out in this Decision.

Article 7. Preliminary License Issuance

BOL shall issue a preliminary license to the applicant if there are complete and correct documents as prescribed in Article 4 of this Decision, with a feasible and reasonable business plan, and has the following criteria:

7.1.For Banks:

- Performing profitable for the previous 3 (three) years consecutively, without accumulated losses;
- Having sufficient, transparent and lawful sources of fund and its assets shall be no lesser than LAK 40,000 (forty thousand) billion or equivalent US\$ 5 billion on the financial year applying for the license;
- Having a rating BBB (investment) grade or better by an internationally-recognized credit rating agency or a good rating obtained from relevant authorities;
- In the case of the applicant is a foreign bank or other financial institution, obtaining a permit by the relevant authority to invest in a bank in the Lao PDR;

- Having an accurate and truthful shareholding structure;
- Being a legal entity that meets the fit and proper criteria to get the banking license;
- Not being on the blacklist on money laundering or financing of terrorism matters.

7.2.For non-bank entities:

- Performing profitable for the previous 3 consecutive (three) years, without accumulated losses;
- Having sufficient, transparent and lawful sources of fund and no lesser than 2 times of the share value to be held in the proposed bank on the financial year applying for the license;
- Having a clear and accurate corporate structure;
- Being a legal entity that meets the fit and proper criteria to get the banking license;
- Not being on the blacklist on money laundering or financing of terrorism.

7.3.For Individuals:

- Having sufficient, transparent and lawful sources of fund and no lesser than 2 times of the share value to be held in the proposed bank on the financial year applying for the license;
- In case of being a proposed principal shareholder, he should have suitable qualification and experience in banking and finance business operation;
- Never been sentenced in the conviction of theft, fraud, embezzlement, forgery, giving or receiving bribery, corruption, money laundering, financing terrorism or other criminal offenses relating to financial and monetary matters or drug trafficking;
- Being a person that meets the fit and proper criteria to get the banking license;
- Not being on the blacklist on money laundering or financing of terrorism.

7.4.For Management:

- Having legal ability;
- Having experience in management and having knowledge and capability on banking and finance;
- Never been sentenced in the conviction of theft, fraud, embezzlement, forgery, giving or receiving bribery, corruption, money laundering, financing terrorism or other criminal offenses relating to financial and monetary matters or drug trafficking;
- Being a person that meets the fit and proper criteria to be the proposed bank's management;
- Never been dismissed from being the management of other entities, never been convicted as a bankrupt person, and never been the management of an entity declared bankrupt by the court.

The applicant who receives a preliminary license is not allowed to conduct any business operation but only can use the license as a supporting document for preparing its readiness conditions as prescribed in Article 8 of this Decision.

The applicant who receives a preliminary license shall open an account at BOL for its registered or investment capital [where appropriate] and shall pay up its registered or investment capital [where appropriate] right after receiving the preliminary license. The registered or investment capital shall be converted into Lao currency at the date of issuance of the permanent license according to the buying rate of the Banking Operation Department, BOL. The payment of the registered capital or investment capital shall be made through a banking system either the fund is from a domestic or foreign country. It is prohibited to pay up in cash.

The preliminary license has its expiry of 180 (one hundred eighty) days commencing the date of issuance. The applicant who receives the preliminary license shall fulfill its readiness conditions as mentioned in Article 8 of this Decision. In the event that the readiness preparation is in progress but it is unable to complete within 180 days, the preparation can be extended no greater than two times, each extension is limited to 90 (ninety) days. If the applicant cannot meet the readiness requirements within the said time, the preliminary license will be revoked.

BOL shall assess the readiness conditions of the applicant to be received the banking license or the person(s) who will become the management team of the proposed bank in order to prevent criminals and persons related to criminals to obtain the banking license or become the management of any proposed bank. In the assessment, BOL shall assess criminal record information and relevance to criminals and other negative information discovered by other domestic and international organizations.

After the fulfillment of readiness conditions, the holder(s) of the preliminary license shall then propose BOL to conduct an on-site inspection in order to consider issuing the permanent license.

Article 8. Permanent License Issuance

BOL shall issue a permanent banking license to the applicant within 10 (ten) working days if the applicant meets the following criteria:

- 1) To inject all minimum registered capital of the proposed bank or minimum investment capital of the proposed foreign bank's branch;
- 2) To have in place sufficient employees trained in the relevant banking topics domestically or internationally. The ratio of foreign employees shall comply with the Law on Labor. The applicant shall implement its obligations and regulations to its employees as prescribed in the Law on Labor of the Lao PDR;
- 3) To have in place its permanent and stable premises. For the land used for building its office either in the case of lease or concession, the contract shall be no lesser than 20 (twenty) years; to have in place a secured vault and security system as prescribed in the regulation of the BOL;
- 4) To have its readiness on the up-to-date core banking system and be able to operate its day to day businesses in a safe and efficient manner, be able to integrate with BOL and shall ensure the implementation of reporting regime and other transactions with BOL in compliance with laws and regulations of Lao PDR;
- 5) To have in place its management system and operation manuals on accounting, risk management, internal audit, human resource management, product

management, anti-money laundering and counter financing of terrorism and others in compliance with laws and regulations of the Lao PDR;

- 6) To have a feasible, reasonable and conductible feasibility study, to have in place its rules that is prudent, complete and conformable with laws and regulations of the Lao PDR.

The recipient of the permanent license shall settle all fees according to the regulations issued by BOL, and then request for its business register and shall operate its business within 90 (ninety) days since the date receiving the Certificate of Enterprise Registration.

Article 9. Upgrading A Foreign Bank's Branch to Commercial Bank

Upgrading a foreign bank's branch to a [full] commercial bank shall be implemented as same as the establishment of a commercial bank as prescribed in Section II of this Decision.

Section III

Establishment of Domestic Commercial Bank's Branch and Service Unit

Article 10. Establishment of Domestic Commercial Bank's Branches

A commercial bank that attained a permanent license is able to propose to establish its branch in the Lao PDR, subjecting to its fulfillment of the following criteria:

- To be compliance with the prudential regulations;
- To have sufficient capital to expand its branch;
- To have in place sufficient employees with management ability. Accordingly, the management team of the proposed branch shall meet the criteria set forth in Article 7 item 7.4 of this Decision;
- To have in place the prudent governance mechanism and rules; to have in place its IT system supporting its branch operation and be able to integrate between the proposed branch and the headquarter, and also have a good security system;

The applicant who proposed to establish its branch shall compile its application, which includes:

- 1) Application form as the template provided by BOL;
- 2) An economic-technical feasibility study as the template provided by BOL;
- 3) Draft article of association for the branch as the template provided by BOL;
- 4) In the event of appointing an attorney to be responsible for establishing processes, it shall provide a power of attorney in compliance with laws and regulations of the Lao PDR (the attorney shall be a legal entity duly licensed attorney in compliance with laws and regulations of the Lao PDR)
- 5) Resolution of the Board of Directors' meeting on approving item 2) to item 4) as mentioned above and also on approving of its initial management team;
- 6) Resolution of the Board of Directors' meeting or shareholders' meeting of the applicant on the establishment of its proposed branch;
- 7) Financial reports for the previous 3 (three) years of the applicants certified by an external auditor;

- 8) Curriculum vitae as the template provided by BOL, qualification certificates, certificates of work, experiences and profession for the previous 5 (five) years consecutively of the management (including the internal auditors) of the proposed branch;
- 9) A copy of the identification card (color copy) and an original copy of the criminal record of the Lao manager. For foreign managers, a copy of passport (color copy) and a criminal record or a similar document (original copy) certified by the relevant authority;
- 10) A receipt from Banking Operational Department, Bank of the Lao PDR, proving the payment of its application submission fee;

All application sets shall be in Lao language. The documents translated from foreign language shall be certified by the Notary Authority of the Lao PDR. All documents including its copies shall be clear and readable.

The application shall be submitted to BOL for consideration in accordance with the criteria set above. BOL shall inform in writing to the applicant on the official approval or rejection of the branch establishment within 60 (sixty) days since the date of receiving the complete application set. In the event of the approval in principle granted by BOL for the branch establishment, the applicant shall prepare its readiness within 180 (one hundred eighty) days and may extend the expiry for another 90 (ninety) days if the applicant has an acceptable reason.

After the applicant completes its readiness, the applicant shall then request BOL to conduct an on-site inspection in order to consider issuing the branch license.

Article 11. Establishment of Service Units

A commercial bank that has obtained a permanent license is able to establish its service units provided that it is required to inform by written notice to BOL within 15 (fifteen) days commencing the date of the establishment, attached with the resolution of its Board of Directors on the approval of the service unit establishment, and its service unit management rules. The service unit management rules shall include:

- 1) organization structure [of the service unit];
- 2) position designation;
- 3) scope of operation;
- 4) control and reporting system;

The proposed service unit shall commence its business operation after 15 (fifteen) days from the date BOL received its written notice of the establishment of such service unit as mentioned in paragraph one of this Article.

Service units of commercial banks may provide its services on accepting deposits, accepting and withdrawing cash, remittance, exchanging currencies. However, service units are not allowed to approve any credit facility to its client.

Foreign bank's branches are not allowed to extend their service units including a currency exchange unit.

Article 12. Upgrading a Service Unit to Branch of Commercial Bank

Upgrading a service unit to a branch of a commercial bank shall follow the same procedures as the establishment of a commercial bank's branch as prescribed in Section III of this Decision.

Section IV Miscellaneous Provisions

Article 13. Implementation of Legislation of the Lao PDR

The establishment of commercial banks, commercial bank's branches including service units of commercial banks shall comply with this Decision and other relevant laws and regulations of the Lao PDR, including signboard installation, corporate seal, construction permits of the banks and among others as required by the related Government authorities.

Article 14. Application and Reporting of Changes in Shareholders and Managements

Any change in principal shareholders of a bank shall be approved by BOL. Such change shall comply with the shareholding limits set forth in Article 3 of this Decision, shall fulfill the same criteria and documents as a new applicant set out in Article 4 sub-articles 4.2 or 4.3 and Article 7 sub-articles 7.1, 7.2 or 7.3 [where appropriate] of this Decision, and then submit to BOL to consider granting the approval.

Any change of managers of commercial banks or foreign bank's branches shall be approved by BOL and shall fulfill the same criteria and documents as a new manager prescribed in Article 4 sub-articles 4.4 and Article 7 sub-articles 7.4 of this Decision, and then submit to BOL to consider granting the approval.

Commercial banks and foreign bank's branches shall inform BOL immediately on any change that may cause its principal shareholders or managements to be unqualified with any criterion mentioned in Article 7 sub-article 7.1, 7.2, or 7.3 of this Decision as to the case maybe.

This Article applies to all commercial banks established prior to and after this Decision become entered into force.

Article 15. Sanction Against Violations

Any violator of this Decision shall be subjected to measures as prescribed in the relevant laws and regulations of the Lao PDR.

Section V Final Provision

Article 16. Implementation

Bank Supervision Department, relevant departments of BOL, commercial banks and other relevant individuals and legal entities shall stringently comply with this Decision.

Article 17. Effectiveness

This Decision shall be entered into force 15 (fifteen) days after published in the Lao Official Gazette. Any regulation on the establishment of commercial bank and foreign bank's branches issued by BOL and enforced prior to this Decision that contradicts with this Decision shall be repealed.

Governor of Bank of the Lao PDR

Somphao Phaysith