



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

President

No. 206/P

Vientiane Capital, 03 August 2018

**Decree  
of the President  
of the  
Lao people's Democratic Republic  
regarding  
the Promulgation on the Law on Bank of the Lao PDR (Amended)**

- Pursuant to the Constitution of the Lao People's Democratic Republic (2015 Amendment) Chapter VI, article 67, paragraph 1;
- Pursuant to Resolution of the National Assembly No. 088/NA, dated 19 June 2018 adopting the Law on Bank of the Lao PDR (Amended);
- Following the Request of the Standing Committee of the National Assembly No. 08/SC dated 17 July 2018,

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

**Article 1:** The Law on Bank of the Lao PDR (amended) is hereby promulgated.

**Article 2:** This Decree is effective from its date of signature.

President of the Lao PDR  
Bounnhang VORACHITH



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

National Assembly

No. 088/NA

Vientiane Capital, 19 June 2018

**Resolution  
of the  
National Assembly  
of the  
Lao People's Democratic republic  
on the Adoption of the Law on the Bank of the Lao PDR (Amended)**

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- Pursuant to Article 53 Point 1 of the Constitution (2015 Amendment) and the Law on the National Assembly (2015 Amendment) Article 11 Point 1.

After extensive and in-depth discussion and consideration regarding the contents of the Law on Bank of the Lao PDR (Amended) during the 5<sup>th</sup> Ordinary Session of the Eighth Legislature on 19 June 2018,

The National Assembly's Session has resolved:

**Article 1:** To adopt the Law on Bank of the Lao PDR (Amended) by majority votes.

**Article 2:** This Resolution is effective from its date of signature.

President of the National Assembly  
Pany YATHOTOU



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

National Assembly

No. 47 /NA

Vientiane Capital, on 19 June 2018

## **Unofficial Translation**

### **Law**

### **On the Bank of**

### **The Lao People's Democratic Republic (Amended)**

### **Part I**

### **General Provisions**

#### **Article 1 (New) Purpose**

This Law defines principle, rule and measure regarding to the organization and operation of the Bank of the Lao People's Democratic Republic to ensure the efficiency and effectiveness of its roles, rights and duties aiming to secure the monetary stability, sustainability of financial institutions and efficiency of payment systems, facilitating the integration to regional and international, contributing the national socio-economic development.

#### **Article 2 (New) Bank of the Lao People's Democratic Republic**

The Bank of the Lao People's Democratic Republic abbreviated "BOL" is the national central bank, which manages monetary supply, supervises financial institutions and payment systems.

#### **Article 3 (New) Definitions**

Terms used in this Law have the following meaning:

1. **Financial Institution** means the commercial banks, Microfinance Institutions, Saving and Credit Union, Pawnshops, Leasing Company and other Financial Institutions which are under the supervision of the Bank of the Lao PDR as defined in relevant laws and regulations;

2. **Microfinance Institution** means financial institution operates microfinance business which has established to the relevant law and regulation that included deposit taking microfinance institution, non-deposit taking microfinance institution and microfinance project.

3. **Deposit Taking Microfinance Institution** means financial institution which takes deposit from public, provides microloan and other microfinance service as defined in the related regulation;

4. **Non-deposit Taking Microfinance Institution** means financial institution which provides microloan and mobilizes fund in the form of a loan or grant from both domestic and abroad;

5. **Microfinance Project** means village development funds, village bank or other funds which established by community, legal entity that founded by organization or person who provide the funds to operate microfinance business such as mobilize deposit and providing loan;

6. **banknote** means money in the paper or plastic form;

7. **Coin** means money in the metal form;

8. **Valuable paper** means certificate of obligations to repay debt between the issuer and the valuable paper's holder, in which the terms and duration, interest and other conditions. Valuable papers include various types of bond, certificate of deposit, cheque and other payment instruments;

9. **Legal entity** means an organization which has its own name, property, ability to operate and act on behalf itself regally and able sue and be sued.

#### **Article 4 (New) State policy on the Bank of the Lao PDR**

The State supports, promotes and creates a conducive environment for the organization and operation of the Bank of the Lao PDR to strengthen and modernize the management of monetary aggregates, supervision of financial institution and overseeing payment system through appropriate strategy formulation, infrastructure development, human resource development and provision of equipment.

The State supports, promotes and encourages the public to contribute and participate in the operation of the Bank of the Lao PDR.

#### **Article 5 (New) Operation principle for the Bank of the Lao PDR**

The Bank of the Lao PDR operates according to the following principles:

1. To consistent with the approach, policy, strategy, laws and the national socio-economic development plan;
2. To ensure the principle of centralized and unity;
3. To ensure the safety and transparency;
4. To cooperate with related authority and organizations including central and local authorities.

#### **Article 6 (New) International cooperation**

The State promotes relation and cooperation with foreign countries, regional and international related to the roles of the Bank of the Lao PDR through exchanging and sharing information, experience, technology, research and human resource development, and complying with the international treaty and agreement which the Lao PDR is bound.

## **Part II**

### **Position, Roles, Scope of Rights and Duties**

#### **Article 7 (Amended) Position**

The Bank of the Lao PDR is a State Agency equivalent to ministry which is a component of the government's organizational structure, a legal entity, and its head office is in Vientiane.

#### **Article 8 (Amended) Roles**

The Bank of the Lao PDR serves as the secretariat for the Government in monetary management stably, financial institution supervision soundly, and payment system development efficiently in order to support the national socio-economic development

### **Article 9 (Amended) Rights**

The Bank of the Lao PDR performs rights as follows:

1. to issue and remove regulation on its domain;
2. to print and withdraw banknote and coin as a sole right base on the approval of the government;
3. to issue and distribute Bank of the Lao PDR bond for monetary policy implementation;
4. to lend as the last resource to financial institution to ensure the liquidity of such institution and monetary policy implementation;
5. to grant, revoke financial, banking, payment and foreign exchange business licenses or temporary suspend such business operation;
6. to impose measure against financial institution that violate law and regulation;
7. to collect data from individual, legal entity and organization;
8. to propose to the government for consideration establishment or cancelation of the Bank of the Lao PDR's branch and its representative office in abroad;
9. to perform other right provided by law and regulation

### **Article 10 (Amended) Duties**

The Bank of the Lao PDR implements duties as follows:

1. to prepare draft of policy, strategy to propose for Government consideration;
2. to apply the policy and strategy into action plan and project of the Bank of the Lao PDR for implementation;
3. to prepare draft of new and amended law, presidential decree and governmental decree proposing for Government consideration;
4. to disseminate law and regulation relating to financial and banking to public;
5. to implement monetary policy by using appropriate monetary policy tool in each period circumstance;
6. to manage foreign exchange in compliance with law and regulation;
7. to maintain and manage foreign currency reserve;
8. to supervise and inspect operation of financial institution

9. to supervise and inspect payment's instrument, mechanism and system for safety manner;
10. to open its own account and Government account in foreign central Bank, international financial institution and foreign financial institution;
11. to accept open account to the Government, financial institution and international organization;
12. to distribute, sale, buy and settle the Government bond and bond guaranteed by the Government as defined in the relevant regulation;
13. to provide the opinion for the Government on the foreign currency borrowing from domestic or foreign country;
14. to reconcile and analyze information on economic, financial, monetary and performance of financial institution in the domestic and abroad;
15. to represent for the Government in international financial organization, cooperate and sign agreement regarding to finance and monetary with foreign country and international financial organization base on Government assignment;
16. to form, amend, supervise and develop accounting system of the Bank of the Lao PDR and financial institution;
17. to coordinate and cooperate with other sectors concerned both domestic and abroad in order to ensure its harmonious performance;
18. to report on its performance and relevant outstanding economic issue to the Government regularly;
19. to perform other duties provided by law and regulation.

### **Part III**

## **Organizational Structure**

#### **Article 11 (New) Organizational structure of the Bank of the Lao PDR**

Organizational structure of the Bank of the Lao PDR consists:

1. Board of Directors;

2. Committees;
3. The Governor and Deputy Governors;
4. The assisting organs and officials.

## **Chapter 1**

### **Board of directors**

#### **Article 12 (Amended) Board of Directors**

The Board of Directors is the supreme management organ of the Bank of the Lao PDR.

The member of the board is appointed or revoked by Prime Minister based on the proposal of the Governor.

The Board of Directors has 5 years term. The board member can be reappointed.

#### **Article 13 (Amended) Structure of the Board of Director**

The Board of Directors is comprised from seven to eleven members such as:

1. the Governor of the Bank of the Lao PDR as a Chairperson;
2. a Vice Minister from Ministry of Finance as a Vice Chairperson;
3. a Vice governor of the Bank of Lao PDR as a Vice Chairperson;
4. representatives of sectors concerned such as economic sector and education institution as other members.

#### **Article 14 (Amended) Qualifications and eligibilities of members of the Board of Director**

The Board Members have to meet following qualifications and eligibilities:

1. Good attitude, knowledge, ability, experience and credibility from finance-monetary and other relevant professional sector;
2. not being a board member or director of any other financial institution;
3. no spouse, parents, children being major shareholder or significance beneficiary person in any financial institution;
4. never been Manager of bankrupted company;



5. never been sentenced in conviction for theft, fraud, embezzlement, forgery, corruption and money-laundering or other tentative crime.

#### **Article 15 (Amended) Rights and duties of the Board of Director**

The Board of Director performs and implements rights and duties as follow:

1. to adopt the national monetary plan proposed by the Monetary Policy Committee to submit to the Government for consideration and propose to the National Assembly's for approval;
2. to adopt the annual report and the following year's action plan of the Bank of the Lao PDR;
3. to adopt the interest rate and exchange rate policies;
4. to adopt the annual expense and revenue implementation report and following year's expense and revenue plan of the Bank of the Lao PDR before report to prime minister for approval;
5. to manage and divide the annual net income as proposed by Governor;
6. to consider to adopt the structure of department, equivalent-department, branch of Bank of the Lao PDR in domestic and representative office in abroad included its staffing plan of Bank of the Lao PDR;
7. to appoint and revoke auditing committee and other committees as proposed by the Governor;
8. to adopt the category of salaries, wages, allowances and other pension for the Bank of the Lao PDR' staff;
9. to perform other rights and implement other duties provided by law and regulation.

#### **Article 16 (Amended) Meetings of the Board of Director**

The Board of Director carries out its activities by the rule of meeting system. The Board's meeting consists of ordinary and extraordinary.

The ordinary meeting is held quarterly as called by the chair. The agenda shall be notified in writing to members in advance for at least seven days before the meeting opening. The Board meeting may be opened only if members of board director participate more than half of its total members.

The extraordinary meeting may be held at any time as deemed necessary and on proposed by the Chairperson or proposed by other members of the board at least two people.

The Board meeting makes decision by the majority vote of attending members. In case of equivalent votes, the chair has the casting vote.

#### **Article 17 (Amended) Cessation from office member of the Board of Director**

Member of the board will be ceased from office in the following cases:

1. expiration of office term;
2. resignation which has been approved by the Prime Minister;
3. relocated, removed or no more in chart of related work;
4. sentenced for criminal offence;
5. death.

In case of any vacant of the Board membership as defined by any of cases 2 to 5 above of this article the Governor shall propose to the Prime Minister for replacing appointment in order to continue the remaining term.

## **Chapter 2**

### **Committee**

#### **Article 18 (New) Committees**

The Bank of the Lao PDR has the following committees:

1. Monetary Policy Committee;
2. Auditing Committee;
3. Other committee as deemed necessary.

#### **Article 19 (New) Monetary Policy Committee**

The Monetary Policy Committee is an Organ of the Bank of the Lao PDR, comprising of 7 members appointed and removed by the Prime minister according to proposal of the governor, and has 5 years term. The member of the monetary policy committee can be reappointed.

The Committee performs through meeting rule with one ordinary meeting per every two months. In case of urgency, extraordinary meetings may be held at any time.

**Article 20 (New) Structure of Monetary Policy Committee**

Structure of Monetary Policy Committee consists of:

1. governor as the Chairperson;
2. a deputy governor as a vice Chairperson;
3. a vice minister of ministry of finance as a vice Chairperson;
4. Some other members from the Bank of Lao PDR, Ministry of finance and relevant sectors.

**Article 21 (New) Qualifications and eligibilities of member of Monetary Policy Committee**

The member of the Monetary Policy Committee should have main qualifications and eligibilities as follow:

1. good manners, knowledge, capacity, experience and experience in the economic, financial and monetary;
2. ever been a manager of any bankrupted enterprise;
3. never been sentenced imprisonment for criminal offence in theft, fraud, embezzlement, forgery, corruption and money-laundering, or commit other crime intentionally.

**Article 22 (New) Rights and duties of the Monetary Policy Committee**

Monetary Policy Committee performs Rights and implements duties as follow:

1. to apply National Monetary Plan to propose to the Board of Director for consideration;
2. to research on monetary policy to propose to the Board of Director for approval;
3. to monitor, follow up and evaluate the implementation of monetary policy of the Bank of the Lao PDR;
4. to ascertain and comment on drafting and amending regulations on the implementation of monetary policy;

5. to participate and report on the implementation of monetary policy to the Board Director meeting;

6. to perform other rights and implement other duties as assigned by the Board of Director.

#### **Article 23 (New) Auditing Committee**

The Auditing Committee is an Organ of the Bank of the Lao PDR, comprising of at least 5 members appointed and removed by the Board of Director as proposed by Governor and has five years term. Members of the Committee can be reappointed.

The Committee operates through meeting rule with one ordinary meeting per every three months. In case of urgency, extraordinary meetings may be held.

In emergency case Prime Minister may appoint Auditing Committee.

#### **Article 24 (New) Structure of the Auditing Committee**

The Auditing Committee consists of:

1. board member from other sector as Chairperson;
2. deputy Governor in charge of audit as Deputy Chairperson;
3. some members from the bank of the Lao PDR and other relevant sectors.

#### **Article 25 (New) Qualifications and eligibilities of the Auditing committee**

The **Auditing** committee should have **qualification and eligibilities** as follow:

1. good manners, knowledge, capacity, experience in the finance, accounting and other sectors relate to auditing;
2. strong attitude, transparent and faire;
3. keep secrecy in audit affaire;
4. never been sentenced for criminal offence in theft, fraud, embezzlement, forgery, corruption and money-laundering or other tentative crime.

#### **Article 26 (New) Right and duty of the Auditing Committee**

The **Auditing** Committee performs rights and implements duties as follow:

1. to audit the implementation of laws and regulations;

2. to audit the accuracy of financial statement;
3. to audit effectiveness of the Lao PDR's operation;
4. to audit the implementation of internal Audit of the bank;
5. to participate and report the Auditing result to the Board of Director;
6. to perform other rights and implement other duties as assigned by the Board of Director.

## **Chapter 3**

### **Governor and Deputy Governors**

#### **Article 27 (Amended) Governor**

The Governor is a member of the government, leading and directing the management in all aspects of the Bank of the Lao PDR and acting as the representative of the Bank in cooperation with both domestic and abroad.

The Governor is appointed and removed by the President upon the proposal of the Prime Minister and after approval of the National Assembly.

#### **Article 28 (Amended) Right and Duty of the Governor**

The Governor performs Rights and implements duties as follow:

1. to responsible for the Board of Director and the Government on monetary and financial institution;
2. to propose National Monetary Plan to Government in order to propose for National Assembly's approval;
3. to apply the suitable monetary policy tools with appropriate economic situation in each period;
4. to approve the volume of banknotes and coins to be issued, withdrawn and destroyed in each year;
5. to propose to draft and amend the laws, presidential decree and decrees on banking sector to the Government;
6. to issue, amend and repeal regulation under its jurisdiction;

7. to issue, remove licenses concerning to business of finance, banking, payment and foreign exchange or temporary suspend such business operation;
8. to propose to the Board of Director to consider and approve the charter in level of department, department-equivalent, domestic branch of the Bank of the Lao PDR and representative office in abroad as well as its staffing plan;
9. to approve to set up charter of division level, division-equivalent or lower level;
10. to propose to the Prime Minister to appoint, relocate and remove Deputy Governor, Director General and Equivalent Director General;
11. to appoint, relocate and remove Deputy Director General, equivalent Deputy Director General, Directors of division, Deputy Director of division or lower level and recruit technical staff of the Bank of the Lao PDR;
12. to cooperate and coordinate with relevant authority on Banking sector;
13. to perform other rights and implement other duties defined by law and regulation.

#### **Article 29 (New) Deputy Governors**

The Bank of the Lao PDR consists some Deputy Governors which appointed and removed by the Prime Minister upon the proposal of the Governor.

Deputy Governor performs to assist the governor in directing and leading certain task assigned by the Governor and to act on behalf of the Governor in case absent or cannot deal with assigned by Governor.

## **Chapter 4**

### **Auxiliary Function and Staff**

#### **Article 30 (New) Auxiliary functions**

The Bank of the Lao PDR consists of departments, department-equivalent in central, branch of the Bank of Lao PDR in some provinces and its representative office in abroad.

The organization and operation of such functions are defined in specific regulations.

**Article 31 (New) Staff of the Bank of the Lao PDR**

Staff of the Bank of the Lao PDR is status as civil servant performing its right, duty and other task as defined in the law on civil servant and relevant regulations.

**Part IV**  
**Operation**  
**Chapter 1**  
**National Currency**

**Article 32 (Amended) Monetary unit of the Lao PDR**

The National currency of the Lao PDR is Kip which has a unit of Kip and Aht ; one Kip is divided into one hundred Aht.

**Article 33 (Amended) Printing of banknote and minting of Coin**

The Bank of the Lao PDR designs and determines component, image and type of banknotes and coins in order to propose to the Government for approval.

The Bank of the Lao PDR is the sole organization to print of banknote and coin. The Each banknote and coin shall have clearly fixed value.

The Bank of the Lao PDR shall ensure the safety of printing house, warehouse, note printing master, coin mold, role of serial-code and other tools to use for printing as well as to safeguard banknotes and coins that have not been issued distribute into circulation.

**Article 34 (New) Printing to banknote and coins for commemorative**

The Bank of the Lao PDR may print the commemorative banknote and coins for celebration important days in terms of politics, history, science, culture-society or National and international important events as approved by the Government.

The Bank of the Lao PDR may distribute the commemorative banknote and coin on its own or delegate to any other organization or legal entity to distribute.

**Article 35 (New) Issuing of banknote and coin**

Issuing of banknotes and coins is distribution the printed banknote and coin into circulation.

Banknote and coin issued by the Bank of the Lao PDR shall be legal tender and valid for payment in countrywide.

**Article 36 (Amended) Withdrawal of banknote and coin from the circulation**

The Bank of the Lao PDR may withdraw banknote and coin from the circulation upon approval from the Government. Such withdrawal shall be notified to the public. Holders of banknotes and coins to be withdrawn have the rights to exchange such banknote and coin for the other one with the Bank of the Lao PDR or commercial bank according to the value of such banknotes and coins without any fee.

**Article 37 (Amended) Exchange of deteriorate banknote and coin**

The Bank of the Lao PDR determines standard and terms of the exchange of impaired banknotes and coins such as: perforated, cut, clipped, broken, or which are marked or which appear with non-monetary character or signs of which is not identified.

The exchange of impaired banknote and coin may be made through the Bank of the Lao PDR or commercial bank. Terms of such exchange shall be announced to the public.

**Article 38 (New) Demolition of banknote and coin**

The Bank of the Lao PDR demolishes discharged banknote and coin as defined in Articles 36 and 37 of this Law.

Procedure and method for such demolition is set in a specific regulation.

**Chapter 2****Implementation of Monetary Policy****Article 39 (New) Monetary policy**

Monetary policy is the management of money supply by using an appropriate monetary policy tools to maintain price stability.



#### **Article 40 (New) Monetary policy tools**

Monetary policy tools consists of:

1. interest rate;
2. reserve requirement;
3. exchange rate;
4. open market operation;
5. fund financing;
6. other tools as determined by the Bank of the Lao PDR.

The Bank of the Lao PDR determines mechanisms and regulations for applying each type of monetary policy tool

#### **Article 41 (Amended) Interest rate**

The Bank of the Lao PDR determines and announce the basic interest rate, fund financing interest rate and interbank interest rate to implement monetary policy. Regarding to the determination of deposit and lending interest rates of the Financial institutions to generals customers, it shall be determined based on the market-oriented economy under administration of state.

#### **Article 42 (Amended) Reserve requirement**

The Reserve Requirement is the amount of money that Commercial Banks and Deposit Taking Microfinance Institutions shall deposit into the Bank of the Lao PDR according to the Reserve Requirement ratio determined by the Bank of the Lao PDR in each period.

#### **Article 43 (New) Exchange rate**

Exchange rate between Kip against to foreign currency are determined on the basis of demand and supply of foreign currencies under the management of the Government.

The Bank of the Lao PDR determines mechanism and rule and regulation for management exchange rate regime.

#### **Article 44 (New) Open market operation**

Open market operation is the market for exchanging and trading valuable paper between the Bank of the Lao PDR and financial institutions to manage the money supply.

The Bank of the Lao PDR organizes, operates and supervises the open market operation as well as determines types of valuable paper which may be traded among members in the open market.

**Article 45 (New) Fund financing**

Bank of the Lao PDR may provide fund financing in the lending form to financial institutions in two types:

1. Unsecured Lending to ensure settlement among the financial institution;
2. Secured lending to solve liquidity of financial institution.

**Article 46 (New) Borrowing**

The Bank of the Lao PDR may borrow in foreign currency as approved by the Government for the purpose of maintaining the national monetary stability.

**Article 47 (New) Lending to financial institutions**

The Bank of the Lao PDR may provide loan to financial institutions under insolvency stress and lack of soundness that might affect the stability of monetary and financial institution systems.

In addition to the above, the Bank of the Lao PDR may lend to financial institution in other case upon consent of the Government.

**Article 48 (Amended) Guarantee**

The Bank of the Lao PDR may provide guarantee to financial institutions to borrow from the foreign country upon consent of the Government.

Condition, procedure and method to guarantee is defined in the specific regulation.

**Article 49 (Amended) Lending to the Government**

The Bank of the Lao PDR may provide loans to the Government for solving the short-term national budget deficit in accordance with the approval from the Prime Minister in the amount of not more than 20 % of the total annual budget revenue and compliance with the ratio of public debt approved by National Assembly.

Such loan, the Government shall repaid loan cost and interest within the fiscal year in which the loan is made.

#### **Article 50 (Amended) Foreign exchange reserves**

Foreign exchange reserves are the assets in foreign currencies held by the Bank of the Lao PDR which consist of:

1. Foreign exchange in the form of banknotes and coins or deposits in foreign bank in hard currency and in a country as agreed by the Board of Directors;
2. Special Drawing Rights (SDR) with international financial institution and Lao PDR's reserve in the International Monetary Fund;
3. Gold under the management of the Bank of the Lao PDR;
4. Government bond and other bond issued or guaranteed by foreign government or international financial institution as agreed by the Board of Director.

#### **Article 51 (New) Foreign exchange reserves management**

The Bank of the Lao PDR manages the foreign exchange reserve to be safe and liquidity to ensure the implementation of monetary policy and to ensure settlement capacity with foreign countries as set out in specific regulation. In foreign exchange reserve management, the Bank of the Lao PDR may buy and sell any assets which are the main components of the reserve as defined in Article 50 of this Law.

The Bank of the Lao PDR shall report the situation of the foreign reserve to the Government. In circumstance of foreign reserve is decreased or trend to be decreased unusually, the Bank of the Lao PDR shall promptly report to the Government and propose the necessary measures to solve such problem and keep reporting until the situation is inverted to normal.

### **Chapter 3**

#### **Financial Institution Supervision and Payment System**

#### **Article 52 (New) Financial Institutions Supervision**

The Bank of the Lao PDR supervises financial institutions by setting adequate strategy, action plan, work plan, legal framework and organizational structure at the central and local level to perform the supervision and inspection financial institutions to ensure the safety and soundness of financial institution system, protect legitimate righteous interests of

financial consumers and ensure that financial institutions operate transparently and in compliance with law.

**Article 53 (New) Payment system supervision**

The Bank of the Lao PDR supervises and develops payment system by setting strategy, policy, issuing and amending legal framework, determining payment instrument on its responsibility scope, setting payment principles and standard techniques as well as clearing and settlement mechanism for financial institution and other entity which operate payment business.

**Article 54 (New) Financial institution and payment system supervision approach**

The Bank of the Lao PDR conducts the supervision and inspection on the operation of financial institution and payment system in accordance with law and regulation to reduce the risk and as part of safeguarding the stability of financial situation. If any violation is detected, the Bank of the Lao PDR shall impose appropriate measures as defined in law and regulation.

## **Part V**

### **Establishment Capital, Finance and Accounting**

**Article 55 (Amended) Establishment Capital**

The Bank of the Lao PDR has its establishment capital as engage and solely owned by the Government. Any subsequent change in the establishment capital is determined by the Government.

**Article 56 (New) Finance**

The Bank of the Lao PDR has its own finance; which is independence from State budget; consisted of income, expense including investments into infrastructure development and equipment and other reserves for ensure its operation.

Annual income and expense plans of the Bank of the Lao PDR shall be approved by the Board of Director and be indorsed by Prime Minister.

**Article 57 (New) Income**

Income of The Bank of the Lao PDR consists of:

1. Interest and return on asset;
2. Fee and other service fees;
3. Other legitimate income.

The total income of the Bank of the Lao PDR shall be offset with expense to seek the annual net income as defined article 59 of this law.

**Article 58 (New) Expenses**

Expense of The Bank of the Lao PDR consists of:

1. Expenditure on implementing of monetary policy which include expend on printing of banknote and melting coins;
2. Interest;
3. Fee and other service fee;
4. Administrative cost;
5. Depreciation and amortization;
6. Other expense.

**Article 59 (Amended) Annual net income**

The net income for the year of the Bank of Lao PDR shall be arising from difference of income offset with expenses according to Articles 57 and 58 of this Law.

In case that net profit of the year result as plus, the Board of Director shall divide into priority as following:

1. Expansion Reserve at least 20%;
2. General Reserve at least 30%;
3. Offsetting against accumulated losses from previous years;
4. Give to State budget.

**Article 60 (Amended) Expansion reserve**

Expansion reserve is an accumulated reserve which arising from net profit of the year distribution for investment fund on primary infrastructure and technical supplies for building renovation office, IT system, vehicle and office supplies.

**Article 61 (Amended) General reserve**

General reserve is set aside to cover the losses from monetary policy implementation according to National Monetary Plan. In the case the general reserve is insufficiency, the Government shall issue its unnegotiable Bond to compensate.

The general reserve is set up from the annual net income as determined in article 59 of this law.

**Article 62 (Amended) Special reserve account**

Special reserve account is one of account which is a component of capital account, using to record the difference of changing in asset or liability value due to price and exchange rate fluctuation.

The difference in first paragraph of this article is not subject to calculate in the annual income of the Bank of the Lao PDR.

**Article 63 (New) Accounting Principle**

The Bank of the Lao PDR implements accounting principle according to General Accepted Accounting Principle and modify International Financial Reporting Standard to comply and consistent in accordance with the role of the Bank of the Lao PDR.

**Article 64 (Amended) Accounting Year**

The accounting year of The Bank of the Lao PDR starts from 1<sup>st</sup> January to 31<sup>st</sup> December of each year.

**Article 65 (New) Financial Statements**

The Bank of the Lao PDR shall prepare financial statement on a monthly, quarterly and annual basis which include financial statement, performance report, appendix and other documents as determined by the Board of Directors. Annual financial statement shall be reported to Government after audited as determined in article 71 of this law.

## **Part VI**

### **Prohibition**

#### **Article 66 (New) General Prohibitions**

Persons, legal entities and organizations are prohibited from the following behaviors:

1. mobilizing funds and conduct finance, banking business without permission;
2. using the name of the Bank of the Lao PDR for their own business;
3. blocking, refusing in cooperation with relevant officials in the financial and monetary work;
4. providing information to the Bank of the Lao PDR with unrealistic;
5. taking banknotes and/or coins to sell for speculation;
6. forging, destroying banknotes and/or coins and using counterfeit note;
7. having other behaviors violating law.

#### **Article 67 (New) Prohibitions for the Bank of the Lao PDR and its staff**

Prohibit The Bank of the Lao PDR to invest for establish enterprise, joint venture or hold shares directly in any enterprise.

staff of the Bank of the Lao PDR are prohibited for:

1. Doing business, being consultant or being staff of any business unit related to his/her responsibility;
2. disclosing confidential information of the Bank of the Lao PDR without permission;
3. abusing duties, position for personal and/or group; abusing duties, position for his/her personal's interest and/or other related group of person's interest;
4. neglecting his/her responsibility and being corrupted;
5. having other behaviors violate the laws.

## **Part VII**

### **Inspection**

#### **Article 68 (New) Inspection Authorities**

The inspection authorities on the Bank of the Lao PDR includes:

1. Internal inspection authorities composed with audit committee and internal inspection department of the Bank of the Lao PDR;
2. External inspection authorities which consists of the National Assembly, Provincial People’s Council, State Audit Authority and Government Inspection Authority.

#### **Article 69 (New) Inspection Contents**

The inspection over the operation of the Bank of the Lao PDR covers the following main contents:

1. Implementation of relevant laws and regulations;
2. Performance of its mandate and effectiveness of the performance;
3. Financial statements;
4. Other content according to relevant regulation.

#### **Article 70 (New) Forms of Inspection**

The inspection on the Bank of the Lao PDR takes on three forms as follow:

1. Regular inspection which is conducted on regular schedule with fixed timelines;
2. Inspection without advance-notice which is unplanned inspection in case of necessary, that must notice the persons that will be inspected in advance;
3. Urgent inspection which is conducted in case of urgency without any advance notice.

The inspection processes on the Bank of the Lao PDR’s activity shall be conducted strictly and accurate with the laws.

#### **Article 71 (Amended) Inspection of Financial Statement**

Monthly, quarterly and annual financial statements of the Bank of the Lao PDR shall be inspected by the internal inspection authority of the Bank of the Lao PDR.

Annual financial statement report shall be audited and certified by the Inspection Committee of the Bank of the Lao PDR and the State Audit Committee regularly.



**Article 72 (Amended) Confidentiality**

Individuals and organizations performing internal and external inspection and other coordination shall keep confidential information and documents of the Bank of the Lao PDR that they have known, seen and shall not disclose unless get permission from the Bank of the Lao PDR.

**Part VIII****Establishment Date, Symbol and Seal****Article 73 (New) Establishment Date**

The establishment date of the Bank of the Lao PDR is 7<sup>th</sup> October 1968 and the 7<sup>th</sup> October of every year is the celebration day of Banking and Financial sector.

**Article 74 (New) Symbol**

The Bank of the Lao PDR has its own symbol to be used in its operation.

**Article 75 (New) Seal**

The Bank of the Lao PDR has its own seal to be used for its operation.

**Part IX****Reward Policy and Measures against Violator****Article 76 (New) Incentives for Good Performers**

Individual, entity and organization having outstanding performance in implementing this Law will be commended or receive other incentives according to regulations.

**Article 77 (New) Measures against Violators**

Individual, entity and organization violating this Law will be subject to re-education, warning, disciplinary sanction, fine, civil compensation or criminal charge depending on the severity of the violation.

## **Part X**

### **Final Provision**

#### **Article 78 Implementation**

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

#### **Article 79 (Amended) Effectiveness**

The law shall be effective after the presidential promulgation decree is issued and fifteen days after it has been disseminated on official gazette.

This Law replaces the Law on the Bank of the Lao PDR No. 05/NA, on 14 October 1995 and Law on the Amendment of Law No 05/NA, on 14 October 1999.

Any terms, provisions incompatible with this Law are hereby all repealed.

**President of the National Assembly**