



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President's Office

No. 29/PO

DECREE
of the
PRESIDENT
of the
LAO PEOPLE'S DEMOCRATIC REPUBLIC

**On the Promulgation of the Law on the Bank of the
Lao People's Democratic Republic**

Pursuant to Chapter 5, Article 53, point 1 of the Constitution of the Lao People's Democratic Republic; and

Pursuant to Resolution No. 05, dated 19 October 1995, of the 7th Ordinary Session of the third legislature of the National Assembly regarding the adoption of the Law on the Bank of the Lao People's Democratic Republic.

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

Article 1. The Law on the Bank of the Lao People's Democratic Republic is hereby promulgated.

Article 2. This decree shall enter into force on the date it is signed.

Vientiane, 26 October 1995

The President of the Lao People's
Democratic Republic

[Seal and Signature]

Nouhak PHOUMSAVANH



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 5/NA
14 October 1995

**LAW ON THE BANK OF THE
LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**Chapter 1
General Provisions**

Article 1. Function of the Law on the Bank of the Lao PDR

The Law on the Bank of the Lao People's Democratic Republic determines the characteristics, role, scope of rights and duties, organisation and operations of the Bank of the Lao PDR in carrying out monetary policy, maintaining stability of the value of the Kip and contributing to the growth and efficiency of the socio-economic development of the Lao PDR.

Article 2. Status¹ of the Bank

The Bank of the Lao PDR is a financial institution of the government, has a status equivalent to that of a ministry, is the central bank of the country, is a legal entity and has its headquarters in Vientiane Capital City.

Article 3. Roles of the Bank

The Bank of the Lao PDR has the following roles:

1. To be the secretariat of the government in administering the currency² at a macro [level], and [in monitoring] the credit of banks within the country;

¹ In Lao, the same word is used to describe physical locations and the "position" of an organisational component in relation to the larger system in which it is situated. Where the latter meaning is intended, the word has been translated as "status".

² In Lao, the same word can be translated as currency, money (monetary) or, as an adjective, fiscal. The translators have generally translated this word as "monetary" when used as an adjective to qualify policy, and as "currency" when used as a noun.

2. To promote and maintain the stability of the Kip within and outside of the country, [to] strengthen the efficiency of payment mechanisms and the solvency of the banking system in order to make the monetary and credit systems of the Lao PDR operate efficiently and transparently;
3. To promote, facilitate and control the flow of currency to serve the socio-economic development plan of the Lao PDR.

Chapter 2

Scope of Rights and Duties of the Bank of the Lao PDR

Article 4. (New) Scope of Rights of the Bank

The Bank of the Lao PDR has the following rights:

1. To be the sole institution to issue notes and coins with the approval of the government and to manage the circulation of currency within the country;
2. To administer the currency at a macro [level], to be the bank of the commercial banks and financial institutions under its supervision and to be the final lender to such commercial banks and financial institutions[,] with the objective of implementing monetary policy;
3. To implement the policy on foreign currency controls and exchange rates;
4. To issue its own bonds with the objective of implementing the monetary policy, and to buy and sell bonds directly to commercial banks and financial institutions;
5. To authorise the establishment of branches of the Bank of the Lao PDR, [and] the establishment of local commercial banks, foreign commercial banks, [and] financial institutions under its supervision, based on the approval of the government.

Article 5. (New) Duties of the Bank

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

1. To administer³ and supervise⁴ the operations of commercial banks and financial institutions under its supervision to ensure the

³ Some translators prefer to translate this Lao word as “regulate”.

⁴ In Lao, the same word is used to represent all of the following related (but slightly different) concepts: “control”, “inspection”, “supervision”, “audit” and “monitoring”. The translators have adopted the following convention in this law. First, when the word is used to refer to government inspections of the Bank’s operations, the translators have translated the word as “inspection”. Where the word is used to refer to the audit of the Bank’s accounts, the translators have translated the word as “audit”. Here, where the word is used to describe the Bank’s oversight of the banking system, the translators have translated the word as “supervise”. Readers should note and bear in mind the other meanings that might have been intended.

- stability and the development of the banking system and financial institutions;
2. To maintain and manage the foreign reserves;
 3. To collect, compile and analyze information [and] data relating to economic and financial [matters], the currency and the operations of banks and financial institutions from concerned⁵ persons and sectors within the country and abroad, in order to serve the formulation of monetary policy and the operation of the banking sector;
 4. To report on, and propose recommendations [relating to], the economic, monetary and banking situation to the government on a regular basis;
 5. To manage and adjust the money supply in circulation in accordance with the approved plan of the government;
 6. To act as the agent of the government in international financial institutions to coordinate, to cooperate [in implementing] and to sign financial and monetary agreements with foreign countries and international financial organisations, as authorised by the government;
 7. To carry out other duties as provided by laws or as authorised by the government.

Chapter 3

Capital, Profits, Business Expansion Fund, [and] General Reserves of the Bank of the Lao PDR

Article 6. Capital of the Bank

The registered capital of the Bank of the Lao PDR is contributed by the government, and the government is the sole holder of the capital. The Bank of the Lao PDR operates under the principle of economic calculation.⁶

Article 7. Annual Net Profit of the Bank

The annual net profit of the Bank of the Lao PDR is the difference between its annual revenue and annual expenditures.

Annual expenditures include:

- Administrative and technical costs;
- Depreciation of fixed assets;
- Devaluation of currency and bad debts;
- Payment⁷ into reserves [to cover] the risk of the Bank.

⁵ The word “concerned” is used in the sense of persons “involved in” or having responsibilities that are relevant to these matters.

⁶ This is a reference to the ideological principle that one should move away from central planning and give precedence to economic considerations in making decisions.

The Board of Directors of the Bank of the Lao PDR determines the proportion of the amount of funds that may be deducted from revenue to be used as expenditure in each of the above categories.

Article 8. Business Expansion Fund of the Bank

The business expansion fund of the Bank of the Lao PDR is the reserve for the expansion of the activities and assets of the Bank of the Lao PDR. The business expansion fund is deducted from the net profit of the Bank in each financial year. The Board of Directors of the Bank of the Lao PDR determines the proportion of the amount of the fund to be deducted in each financial year.

Article 9. General Reserve Account of the Bank

The general reserve account of the Bank of the Lao PDR is a special fund of the Bank of the Lao PDR created to compensate for losses resulting from banking operations in the implementation of the monetary policy of the Bank.

The general reserve account of the Bank is deducted from net profit in the financial year as determined by the Board of Directors, after the deduction for the business expansion fund.

The total net profit of the Bank that remains after the deduction for the business expansion fund and for the general reserve account of the Bank shall be paid to the State. In the event of losses caused by the implementation of the strategic plan of the government, such losses will be reimbursed by the government.

**Chapter 4
Board of Directors of the Bank of the Lao PDR**

Article 10. Board of Directors

The Board of Directors of the Bank of the Lao PDR is the highest management authority of the Bank of the Lao PDR.

The Board of Directors comprises seven to nine members, namely a Chairman, Vice Chairmen and other members.

Article 11. Structure of Board of Directors

The Board of Directors of the Bank of the Lao PDR consists of:

- The Deputy Prime Minister as Chairman of the Board;
- The Governor of the Bank of the Lao PDR as Vice Chairman;

⁷ The term in the original Lao text is “payment”. However, this appears to be a reference to setting aside amounts for potential risks rather than the actual payment of funds.

- The Minister of Finance as Vice Chairman;
- The deputy governor of the Bank of the Lao PDR as a member;
- Some other members, who are persons with knowledge, competence and experience in agriculture, industry, trade, banking and finance selected from various sectors⁸.

Article 12. Appointment and Term of Office of Board of Directors

Members of the Board of Directors of the Bank of the Lao PDR are 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 Directors has a term of office of five years. Members of the Board of Directors may be reappointed.

Article 13. End of Function of Members of Board

The function of a member of the Board of Directors comes to an end by the expiration [of such member's term], death, resignation or removal from office. The resignation shall be approved by the Prime Minister.

In the event that any member of the Board of Directors dies, resigns or is removed from office [in circumstances] which would cause difficulty for the administration of the Bank, the Prime Minister shall immediately appoint a new person in accordance with the provisions of Article 12 of this law to continue the work for the remaining period of the Board.

Article 14. (New) Rights and Duties of Board

The Board has the following rights and duties:

1. To be the secretariat of the government on economic and monetary matters;
2. To adopt⁹ the organisational structure and internal regulations of the Bank of the Lao PDR;
3. To adopt regulations on the control of foreign currency [and] credit[,] and [to adopt] other regulations of the Bank of the Lao PDR;
4. To examine and comment on the monetary policy, exchange rate policy [and] credit [policy], based on the proposal of the Governor of the Bank of the Lao PDR;
5. To determine the proportion of current assets, the proportion of different mandatory reserves and similar obligations, [and to]

⁸ The term "sectors" refers to the cluster of governmental agencies, departments or offices, which are responsible for certain matters. Here, the other members of the board are selected from various ministries and governmental agencies.

⁹ In this context, the assumption is that the actual documents will be prepared by Bank officials and then adopted by the Board.

determine the method of calculation of such obligations for uniform use by similar types of commercial banks;

6. To adopt regulations on the rate of interest on deposits, loans, [and] the buying of discounted bonds, and other ratios¹⁰;
7. To adopt the annual report, the balance sheet, the income statement and the annual budget of the Bank of the Lao PDR;
8. To appoint external auditors to audit the activities of the Bank of the Lao PDR.

Article 15. Meetings of Board

The Board executes its activities as specified by the rule of meeting¹¹. Meetings of the Board shall be held at least once every two months and shall be convened by the Chairman or based on the proposal of at least two members of the Board.

At least seven days prior to the start of an ordinary meeting of the Board, it is required that a written notice, with the agenda of the meeting attached to it, be given to the members of the Board. In the event of necessity, an extraordinary meeting may be held at any time.

The quorum for a meeting of the Board consists of more than one half of the members of the Board.

Decisions of the meeting shall be taken by a simple majority of members present. In the event of a tie¹², the Chairman has the casting vote.

Article 16. Qualifications of Members of Board

Members of the Board shall meet the following qualifications and conditions:

1. A member of the Board shall be a person with good ethics, ability, experience and credibility within the money, finance, business and other professional communities;
2. The following persons shall not be appointed as members of the Board of the Bank of the Lao PDR:
 - A person whose husband or wife, father, mother, child, brother or sister is a partner or shareholder in any company, or in any commercial bank or financial institution;

¹⁰ The Lao word may be translated as “ratio” or “proportion”. This may be a reference to other “rates” (rather than ratios which appear to be covered in item 5 rather than item 6), but the translators are not able to resolve the ambiguity.

¹¹ This is a reference to the principle that decisions and activities should take place openly in meetings.

¹² The literal translation of this term is “equivalent votes”.

- A person who is a member of the board, a director, a manager or a member¹³ of a commercial bank or financial institution;
 - A person who has been criminally punished by the court or has been found to be civilly liable, [in each case] for violations that affect his¹⁴ credibility in the performance of his duties as a member of the Board of Directors;
3. All members of the Board shall disclose to the Board their direct or indirect interests and shall refrain from voting on any matter relating thereto in any meeting of the Board, but shall be counted [in determining] the number of members attending the meeting;
 4. In the performance of his duties, a member of the Board must not favour the specific interests of any enterprise or sector¹⁵ related to him.

Chapter 5 **Governor and Deputy Governors¹⁶ of the Bank of the Lao PDR**

Article 17. Appointment of Governor and Deputy Governors

The Governor of the Bank of the Lao PDR is a member of the government, [and] is appointed or removed from office by the President of the State, based on the proposal of the Prime Minister, which is in turn proposed to the National Assembly for approval.

Deputy governors are appointed or removed from office by the Prime Minister based on the proposal of the Governor of the Bank of the Lao PDR.

Article 18. Qualifications of Governor and Deputy Governors

A person who is to be appointed as the Governor or a deputy governor of the Bank of the Lao PDR shall:

- Have good ethics, knowledge and ability;
- Not be a director [or] a member of the board of directors of a commercial bank, or an officer of a financial institution, and not be an owner, partner or shareholder of any financial institution. In the event that he holds such positions, he shall resign [from them].

¹³ It is unclear whether the word “members” is intended to refer to the staff or to the owners of the commercial bank or financial institution.

¹⁴ Readers should note that the Lao language does not distinguish between genders in pronouns. In this translation, a reference to a gender is a reference to all genders, unless the context requires otherwise. The translators’ decision to use the male gender was made in the interests of simplicity and consistency.

¹⁵ Here, the term “sector” is used in the governmental sense.

¹⁶ In the original Lao text, it is unclear whether this term is singular or plural; however, Article 19 makes it clear that there may be more than one deputy governor.

Article 19. (New) Rights and Duties of Governor and Deputy Governors

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

1. To be responsible to the government for monetary and banking matters;
2. To manage the operations of the Bank of the Lao PDR and to supervise and control the commercial banks and financial institutions that are under the supervision of the Bank of the Lao PDR;
3. To examine and comment on the monetary policy, the interest rate policy and the exchange rate policy in order to propose to the Board of Directors, who in turn propose such policies to the government for decision, promulgation and implementation;
4. To propose to the Prime Minister to appoint, transfer [or]¹⁷ remove the directors-general of departments [of the Bank];
5. To appoint, transfer [or]¹⁸ remove the deputy directors-general of departments [of the Bank], [and] the heads and deputy heads of divisions, branches, and representative offices of the Bank of the Lao PDR;
6. To improve the organisational structure and deploy officers of the Bank of the Lao PDR;
7. To resolve all problems of the Bank of the Lao PDR under his responsibility and perform such other duties as provided by the laws and by internal regulations of the Bank of the Lao PDR.

Deputy governors of the Bank of the Lao PDR shall assist the Governor of the Bank of the Lao PDR and may be assigned to take responsibility for certain tasks by the Governor. When the Governor of the Bank of the Lao PDR is absent from office or is unable to perform his duties, the assigned deputy governor shall perform his duties during his absence. The assignment to be acting Governor shall be made in writing and shall stipulate the contents¹⁹ and timeframe clearly.

**Chapter 6
Audit of the Bank of the Lao PDR**

Article 20. Audit

At the end of each financial year, the Bank of the Lao PDR shall be audited by the internal audit committee of the Bank of the Lao PDR, by the

¹⁷ The Lao word “and” is sometimes used in a disjunctive sense, often when the authors wish to emphasise the importance of all items in a disjunctive list. Here, the literal translation is “and”, but it is clear that the disjunctive “or” meaning is intended.

¹⁸ See footnote 17.

¹⁹ The term “contents” refers to important points or substance.

audit committee from the Ministry of Finance appointed by the government or by an external auditor.

Before submitting its annual report to the government, the annual financial accounts of the Bank of the Lao PDR shall be certified by the aforesaid auditors and shall then be accepted as [the Bank's] lawful accounts.

Article 21. Inspection by Government

The Bank of the Lao PDR shall be inspected regularly by the government. The government's inspector shall be appointed or removed from office by the Prime Minister. He has the authority to request data, [and] documents or to question officers of the Bank on any issues at any time during the performance of his inspection in order to complete his inspection.

The government's inspector has the right to attend ordinary and extraordinary meetings of the Board of Directors of the Bank, and has the right to express opinions during such meetings but does not have the right to vote. In the event that the opinion of the government's inspector is different from the resolutions of the Board, the government's inspector shall report to the Prime Minister.

Article 22. Maintaining Confidentiality

While performing duties, or after completing their tasks, all auditors shall keep confidential any problems, documents and data which they discover or come to know of²⁰, relating to the Bank of the Lao PDR, the commercial banks or financial institutions, except as otherwise approved by the Board of Directors²¹ or by an order of the court.

**Chapter 7
Monetary Units, Notes and Coins**

Article 23. Monetary Unit of the Lao People's Democratic Republic

The monetary unit of the Lao People's Democratic Republic is the "Kip", which is divided into one hundred "At".

Article 24. Printing of Notes and Minting of Coins

The Bank of the Lao PDR shall print notes and mint coins, and shall determine the design, form, and value of the notes and coins to be put into circulation, after obtaining approval from the government.

²⁰ For readability, the verbs "discover" and "come to know of" have been inverted.

²¹ This term refers to Board of Directors of Bank of Lao PDR, not to the board of directors of the commercial banks and financial institutions referred to in this article.

The Bank of the Lao PDR shall fulfil the necessary requirements for the printing of notes, the issuance of on-demand money drawing instruments²² and the minting of coins, and for all matters relating to the security and safe custody of notes and coins that have not yet been put into circulation. Note printing plates, coin moulds, and notes and coins that have been withdrawn from circulation shall be kept in safe custody or shall be destroyed as necessary.

Article 25. Legal Tender

Notes and coins issued by the Bank of the Lao PDR for circulation shall be legal tender within the Lao People's Democratic Republic. The value shall be denominated on each note and coin.

Article 26. Withdrawal of Notes and Coins from Circulation

The Bank of the Lao PDR may, with the consensus of the government, withdraw notes and coins which are not suitable for use in a new situation²³. A notice of such withdrawal shall be given to the public. The holder of such withdrawn notes and coins shall be entitled to exchange his money with the Bank of the Lao PDR based on the value of the notes or coins. The exchange shall be made within two years from the date of the notice. No fees shall be charged for such exchange.

Article 27. Exchange of Unusable Notes

The Bank of the Lao PDR is entitled:

1. To set conditions for the exchange of notes which are torn or partially damaged. A notice of the conditions for exchange shall be made to the public;
2. To decide on the exchange of coins which are perforated, cut, fragmented²⁴, broken²⁵, or which are defaced²⁶ or which no longer have the appearance of money, or the imprint on which can no longer be identified.

²² The term “on-demand money drawing instrument” refers to a demand instrument that authorises the printer of notes to send the notes to the Bank of the Lao PDR.

²³ The translators are aware that the reference to “a new situation” is vague. However, the original Lao text does not allow further clarification.

²⁴ The literal translation of this term is “broken into many parts”.

²⁵ The literal translation of this term is “broken in half”.

²⁶ The literal translation of this term is “a mark has been made on it”.

Article 28. Liability for Shipment of Notes

The Bank of the Lao PDR shall be liable to compensate for any damage in the shipment of notes and coins only if such shipment is under its responsibility.

Chapter 8

Foreign Reserves, Foreign Exchange and Special Reserve Fund

Article 29. Foreign Reserves

The Bank of the Lao PDR shall establish and maintain foreign reserves according to the terms and conditions in specific regulations determined from time to time by the Bank of the Lao PDR with the approval of the government.

Foreign reserves consist of all or any of the following assets:

1. Gold;
2. Foreign currencies in the form of notes and coins or in the form of bank deposits denominated in any hard currency [which are deposited] in foreign banks or in any other country, as approved by the Board of Directors;
3. Any assets internationally recognised as foreign currency:
 - The reserve fund of the Lao People's Democratic Republic in the International Monetary Fund;
 - The Lao People's Democratic Republic's holdings of special drawing rights which are internationally called DTS;
4. Bills of exchange [and] promissory notes, as well as treasury bills and other securities issued or guaranteed by foreign governments or international financial institutions, denominated in a foreign currency and payable within or outside the Lao PDR as the Board may approve;
5. Other assets regarded as foreign currencies as the Board may approve. In order to ensure international payments, the Bank of the Lao PDR shall maintain foreign reserves at the appropriate level.

Article 30. Report on Status of Foreign Reserves

The Board of Directors shall regularly report to the government once every month on the status of foreign reserves.

In the event that the Board of Directors finds that such foreign reserves have decreased or could potentially decrease, thus jeopardizing their adequacy, the Bank shall immediately report to the government together with suggestions of measures necessary to restore the situation to normal conditions and shall continue to submit such report at least twice a month until such situation [has been restored to] normal conditions.

Article 31. Business Operations of the Bank

Based on the approval of the Board, the Bank of the Lao PDR transacts in foreign currencies, precious metals and other valuable materials, such as:

1. Buying and selling gold bullion, gold in various forms, precious metals, and other valuable materials;
2. Buying and selling foreign currencies through commonly-used instruments;
3. Buying and selling treasury bonds and other securities issued or guaranteed by foreign governments or international financial organisations;
4. Opening and maintaining accounts with international financial organisations, central banks, monetary funds and other financial institutions outside the Lao PDR which are officially authorised;
5. Opening and maintaining deposit accounts and acting as agent or correspondent for institutions mentioned in paragraph 4 of this article or for foreign governments and their agencies.

The Bank of the Lao PDR determines, publishes and manages the exchange rate, and buys, sells or deals with foreign currencies from time to time.

Article 32. Scope of Business Relations of the Bank

The Bank of the Lao PDR, in its business relations, deals only with the government, commercial banks and financial institutions within the country, and with foreign government agencies, international financial organisations, central banks, monetary funds and financial institutions of foreign countries.

Article 33. Special Reserve Account

The special reserve account shall record the profit or the loss in the financial year of the Bank of the Lao PDR arising from any change in the value of the Bank's assets or liabilities denominated in gold [or] special drawing rights (DTS)[,] or arising from any change in the value of the Bank's assets or the government's liabilities [denominated] in foreign currencies, [calculated] in terms of Kip of the Lao PDR as stipulated in Article 29 of this law.

Article 34. Methods of Dealing with²⁷ Special Reserve Account

In the event that the Bank of the Lao PDR has, on balance, any losses in a financial year arising from any change as stipulated in Article 33 above, such losses shall be deducted from any surplus funds in the special reserve account. In the event that such surplus funds are insufficient to cover such losses, the government shall, in conformity with regulations of the Bank of the

²⁷ The literal translation of this term is "solving".

Lao PDR, issue non-negotiable securities to enable the Bank of the Lao PDR to cover such losses.

The aforementioned profit and loss shall not be included in the annual net profits of the Bank.

At the end of each financial year, any surplus in the special reserve account shall be applied to compensate for the value of the securities issued by the government, as stipulated in the above section of this article.

Any credit or debit from the special reserve account shall only serve the purpose specified in this article.

Chapter 9 **Relations with Financial Institutions**

Article 35. Rights and Prohibitions on Activities

The Bank of the Lao PDR may open deposit accounts with, and accept deposits from, commercial banks and financial institutions, called “account holders”, in accordance with terms and conditions as the Board may from time to time determine.

The Bank of the Lao PDR is not entitled to invest in general business operations, except as otherwise provided by this law.

Article 36. Buying and Selling of Valuable Documents

The Bank of the Lao PDR has the right, on such the terms and conditions as the Board may from time to time determine, to buy, sell or acquire, discounted valuable documents from account holders according to the following rules²⁸:

1. Bills of exchange, promissory notes, certificates of deposit and cheques for commercial, industrial or agricultural purposes;
2. Treasury bonds or other securities guaranteed by the government or issued for sale to the public;
3. Securities issued by the Bank of the Lao PDR.

These documents shall be valid for payment only if they bear two or more signatures, where one shall be the signature of the financial institution. The documents must be repaid within one hundred and eighty-three days from the date of acquisition by the Bank.

The Bank of the Lao PDR may grant loans to account holders with [repayment] periods not exceeding one hundred and eighty-three days, on terms and conditions determined by the Board.

²⁸

The translators are aware that the list does not contain rules.

Article 37. Loans Granted with Security

The Bank of the Lao PDR may grant loans to account holders against the security of valuable documents as stipulated in Article 36 of this law and in accordance with resolutions of the Board or secured by the following instruments:

- Treasury bonds and other securities where payment to the public is guaranteed by the government;
- Commercial paper [and] documents of title issued on insured commodities;
- Other assets which the Bank is permitted to buy [and] sell as provided in Article 31 of this law.

Article 38. Loans Granted without Security

The Bank of the Lao PDR may grant loans that are unsecured, in accordance with the terms and conditions of special regulations of the Board, in the event that such loans are exceptionally necessary to meet the financial requirements of the borrower.

Article 39. (New) Determination of Interest Rates

The Bank of the Lao PDR shall determine and promulgate its interest rate for discounted securities and the interest rate for making loans to commercial banks and financial institutions under its supervision. Commercial banks and financial institutions may determine their own interest rates for deposit and lending to general customers in accordance with the market mechanism under State management.

Article 40. (New) Maintenance of Mandatory Reserve Level

The Bank of the Lao PDR has the right to require commercial banks and financial institutions that are under its supervision to maintain the ordinary level of the initial mandatory deposit reserves and additional mandatory reserves, including liquid assets, to ensure the implementation of monetary policy and the payment of deposits and similar obligations, as the Board may determine.

Article 41. (New) Determination of Status of Net Foreign Currency

The Bank of the Lao PDR has the right to require²⁹ commercial banks and financial institutions under its supervision to maintain the status of net foreign currency in one specific hard currency or in many currencies in accordance with the regulations of the Bank of the Lao PDR.

²⁹ The term “require” in this article has a stronger connotation than that in Article 40. Here the connotation is actually “determine”.

Article 42. (New) Supervision of Regulations of Financial Institutions

The Bank of the Lao PDR shall supervise the regulations of, and give instructions on regulations relating to credit and other regulations of, commercial banks and financial institutions under its supervision, including the implementation of such regulations.

Article 43. (New) Guaranty for Foreign Loans

The Bank of the Lao PDR shall guarantee foreign loans to commercial banks and financial institutions based on the consent of the government.

Article 44. (New) Payment Instruments

The Bank of the Lao PDR shall establish payment mechanisms that assist commercial banks and financial institutions under its supervision to expand the use of payment instruments and to make payment by cheques and other instruments.

**Chapter 10
Relations with the Government**

Article 45. Reporting to the Government

The Bank of the Lao PDR has the duty to submit regular reports to the government on matters relating to the performance of the Bank.

In the event it encounters any difficulty which is likely to affect the achievement of its objectives, the Bank shall immediately report it to the government.

Article 46. Deposit Account of the Government

The Bank of the Lao PDR shall accept deposits from the government. The government may also maintain deposit accounts with, and use the services of, commercial banks and financial institutions as appropriate.

Article 47. Accounts Held on behalf of the Government outside the Lao PDR

The Bank of the Lao PDR shall be the account holder of foreign currencies of the government in foreign countries.

Article 48. Management of Securities

The Bank of the Lao PDR shall undertake the distribution, purchase, sale and management of government securities or securities guaranteed by the government which are issued to the public in accordance with the capacity of the majority of the public to purchase [such securities], as the government may approve.

Article 49. Borrowing Funds from Abroad

The Bank of the Lao PDR shall undertake research and render opinions to the government on matters relating to borrowing funds from foreign countries. Commercial banks, financial institutions and enterprises shall obtain the approval of the Bank of the Lao PDR prior to borrowing funds from abroad.

Article 50. Loans³⁰ to the Government

In the event of necessity, the Bank of the Lao PDR may make temporary loans to the government, which shall repay the principal plus interest within six months. The Bank of the Lao PDR shall determine from time to time the interest rate that should be applied, [taking into account] the actual situation.

The Bank of the Lao PDR may make additional loans to the government, on such terms and conditions as may be agreed, with respect to subscriptions and other payments resulting from the membership of the Lao PDR in international financial organisations, international financial institutions and other international organisations.

Article 51. Limitations on Loans

The government may obtain a loan from the Bank of the Lao PDR in an amount not exceeding twenty-five per cent of the government's average annual ordinary revenue for the last three financial years. The calculation of such revenue shall exclude borrowings, grants and other forms of economic aid.

If such loan would be risky, the Bank of the Lao PDR shall report to the government and propose measures for resolving [such risk].

Article 52. Relations with International Financial Institutions

The Bank of the Lao PDR serves as the depository, and is the financial agent, of any international financial organisation of which the Lao PDR is a member.

**Chapter 11
Accounts of the Bank and Reports**

Article 53. (New) Financial Year of the Bank

The financial year of the Bank of the Lao PDR shall begin on the first day of January and end on the thirty-first day of December each year.

³⁰ The Lao word for loan or advance is a compound word “advanced-loan” as in “a loan that has been advanced or granted”. The translators have translated this term as “loan”.

The Bank of the Lao PDR, [and] commercial banks and financial institutions under the supervision of the Bank of the Lao PDR, shall comply with accounting regulations that are promulgated from time to time and [applicable to] the Bank of the Lao PDR and to commercial banks and financial institutions.

Article 54. Annual Report to the Government

Within three months after the close of each financial year, the Bank of the Lao PDR shall submit to the government the following reports:

- A report on some economic issues³¹;
- A report on the business operations of the Bank of the Lao PDR in the previous year; and
- A report on the annual accounts of the Bank certified by the auditor.

The Bank of the Lao PDR shall publish an annual report relating to the currency and some economic issues.

Chapter 12
Measures³² Against Offenders

Article 55. (New) Violation of Mandatory Reserve Ratio³³ [Requirements] and Other Regulations

Commercial banks and financial institutions under the supervision of the Bank of the Lao PDR which violate any mandatory reserve ratio [requirement], liquid asset ratio [requirement] or other regulations shall be fined or punished in accordance with the laws and regulations.

Article 56. Providing Wrong Information

Any person who intentionally provides any false or misleading information to the Bank of the Lao PDR shall be fined or punished in accordance with the laws and regulations.

³¹ The literal translation of this term is “some”, without further qualification. The connotation is that these are important issues.

³² The term “measures” has the connotation of disciplinary measures or sanctions.

³³ The word “ratio” is used in this chapter even though previously the reference is only to mandatory reserves.

Article 57. Engaging in Business without License

Any person who engages in the banking business or financial institution business without such license as may be required by the laws shall be fined or punished in accordance with the laws and regulations.

Article 58. Disclosure of Confidential Matters

In the event that any officer or any person who has collected, has come to know of or has seen any data [or]³⁴ information of the Bank of the Lao PDR, [or] of any commercial bank or financial institution during his performance of duties, discloses such data or information without approval as stipulated in Article 22 of this law, [such officer or person] shall be punished for the disclosure of State secrets, as provided by the Penal Law.

Article 59. Abuse of Power

Any officer of the Bank who abuses his position in contravention of any provision of this law for his benefit shall be punished in accordance with the Penal Law.

Article 60. Other Violations

Any person who counterfeits notes, coins or financial instruments, uses counterfeit notes, coins [or]³⁵ financial instruments, destroys notes or coins by way of cutting, perforating, tearing, drawing, writing, printing, stamping³⁶, affixing any seal³⁷ upon such notes or in any other way damaging [any] notes or coins issued by the Bank of the Lao PDR [or]³⁸ making them unfit for use shall be punished in accordance with the Penal Law.

**Chapter 13
Final Provisions**

Article 61. Implementation

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

Article 62. Effectiveness

This law shall enter into force on the date of the promulgating decree issued by the President of the Lao People's Democratic Republic.

³⁴ See footnote 17.

³⁵ See footnote 17.

³⁶ Here, an object makes the mark but is not permanently affixed to the note or coin.

³⁷ Here, the object (such as a sticker, label or stamp) is affixed to the note or coin.

³⁸ See footnote 17.

This law repeals the Law on the Establishment of the Bank of the Lao PDR, No. 04, dated July 10, 1990. All provisions and regulations which contravene this law are null and void.

Vientiane, 14 October 1995
President of the National Assembly

[Seal and Signature]

Samane VIGNAKET