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**LAO PEOPLE'S DEMOCRATIC REPUBLIC**  
**PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

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Bank of Lao PDR

No. 288 /BOL

Vientiane Capital, dated 17 March 2020

**(Draft)**

**Agreement on Payment Service**

- According to the Law on the Bank of the Lao PRD (revised), No. 47/NA, dated 16 June 2018;
- In accordance with the Law on the Payment Systems, No. 32/NA, dated 07 November 2017;
- Based on the research and proposal of the Department of Payment System Management.

**Governor of the Bank of the Lao PDR agreed:**

**Part I**

**General Provisions**

**Article 1 Purpose**

This agreement defined the principles, regulations and measures on payment services to ensure stable, secure, reliable and efficient monitoring and risk management and operations of payments in order to protect the rights and interests of service users, contributing to the development of the financial- monetary institution system and the socio-economic development of the country.

**Article 2 Payment Service**

The payment service is a payment instrument or means of payment for service provider through a payment service provider's channel for the payment of goods or services, money transfers or financial transactions.

**Article 3 Explanation of Words**

The terms used in this Agreement are the following:

1. **Payment Service Provider** refers to a person authorized by the Payment System Management Department as a payment service provider;

2. **Service User** means any person, legal entity or organization, both domestic and foreign, using the Payment Service Provider's Payment Tool.
3. **Main types of risk mean** Strategic Risk, Liquidity Risk, Operational Risk, Legal Risk, Reputation Risk and Information Technology Risk;
4. **Outsourcer** means a legal entity hired by the Payment Services Agency to assist with the payment service;
5. **Merchant** means a seller of goods or services that pays for goods or services with a payment service provider's payment tools at places such as shops, hotels, resorts;
6. **Manager** means the director, manager or equivalent of the Board of Directors or the Board of Directors of the Payment Services Provider, who has the authority to determine all transactions in the payment service.

Article 4      Scope

This agreement applies to all payment service providers, agents, Outsourcer, service users and other participants in connection with the payment service.

## **Part II**

### **Types and Participants of Payment Service**

**Article 5 Type of payment service**

There are four types of payment services:

1. Card Payment
2. Electronic Money;
3. Electronic Acceptance;
4. Electronic Money Transfer Service.

Other types of payment services are subject to periodic decision by the Department of Payment System Management.

Article 6      Card Payment

The card payment is a service of the payment service provider by issuing a payment card to service users to use, deposit, withdraw, transfer and / or pay for goods or services or financial transactions in stead of cash payments in accordance with of the payment service provider terms and conditions.

Article 7      Electronic Money

Electronic Money is a service of electronic payment service providers, nominative or anonymous by the service user to pay the payment service provider to record the value or amount of prepayment before using the payment of product. Fees or other charges in stead of cash payment.

Article 8      Electronic Acceptance

Electronic Acceptance is a service of electronic payment service provider instead of payee.

There are three types of Electronic Acceptance: Acquiring Services, Payment Facilitating Services, and Bill Payment Service.

1. Merchant Service is a payment service in the form of electronic payment information from a payment instrument to the regulator of payment transactions to send payment information to the issuer of the payment instrument, that the acquirer and merchant have promised to pay for goods or services to the merchant and the merchant will receive the payment for the goods or services with the agreed payment instruments;
2. Payment facilitating is a data transfer payment via electronic payment instrument to the acquirer or other payment facilitators that the payment facilitator will pay for goods or services to the merchant and that the merchant will receive for goods or services with the instrument in accordance with the agreed conditions;
3. Bill Payment Service is an electronic payment service on behalf of the merchant who has been appointed or has contracted to be a payment service provider or Bill Payment Service Provider.

#### Article 9      Electronic Money Transfer Service

The electronic money transfer service is a service of a payment service provider that receives money from a service user to electronically transfer money to domestic and international remittance recipients.

There are two types of electronic money transfer:

1. Money transfer between transferees and money recipients with both bank accounts (Fund Transfer);
2. Money transfer between transferees and money recipients who do not have a bank account on either or both sides (Money Remittance).

#### Article 10      Participants providing payment services

Participants providing payment services are as follows;

1. Service Provider;
2. Agent;
3. Outsourcer;
4. End User;
5. Merchant;
6. Other participants as determined by the Payment System Management Department.

## **Part III**

### **Authorization and Consideration as a Payment Service Provider**

#### **Chapter 1**

#### **Authorization**

##### **Article 11      Authorization**

Applicants who wish to be a Payment Service Provider must meet the requirements and file documents according to the service type and authorization form by submitting a request to the Department of Payment Systems for consideration.

##### **Article 12      Form of Authorization**

There are three forms of authorization:

1. Payment services required licensed;
2. Payment services required registered;
3. Payment services required notified.

##### **Article 13      Payment Services Required Licensed**

Payment Services must be licensed as a payment service in the following manner:

1. Payment Services as defined in Article 5 of this Agreement, which have a wide range of services and have domestic and international impacts;
2. Provision of electronic money transfer services as defined in Article 19, Clause 2 of this Agreement, with an average six-month advance balance of more than ten billion kip.

##### **Article 14      Requirements for Payment Services Required Licensed**

Any person who intends to be a payment service provider as defined in Article 13 of this Agreement must meet the requirements set out in Article 31 of the Law on Payment System and has the following conditions:

1. A company registered for the enterprise in Lao PDR;
2. Have the registered capital as specified in Article 16 of this Agreement;
3. Lao national holders that hold at least ten percent of the total shares;
4. There is at least one manager who is Lao nationality and has a residence in Lao PDR at least one person;
5. Have a business plan
6. Have a link system with sub-transaction payment system.

Commercial banks are exempt from the conditions set forth in clause 2, 3 and 4 of this Article.

Article 15 Documentation of payment service providers that have to be licensed

Those who wish to be a payment service provider as defined in Article 13 of this Agreement shall have the following required documentation:

1. Printed Proposals by the Payment System Management Department;
2. The following documents are available in Lao language:

2.1 General Information

- 2.1.1 Curriculum Vitae (CV) of the Executive;
- 2.1.2 Address certificate of the Executive;
- 2.1.3 Certificate of Funding Source;
- 2.1.4 Copy of enterprise registration;
- 2.1.5 Copy of Company Rules as Printed;
- 2.1.6 Copy of Education Qualification Certificate and any Training Certificate of the Executive;
- 2.1.7 Criminal Records and/or Certificates from the People's Court not exceeding three months;
- 2.1.8 Copy of shareholders' registration list, Names of shareholders, Nationality and top ten share holding ratios;
- 2.1.9 Structure of business group, Including companies or group companies with responsibilities and related relationship with the licensee;
- 2.1.10 Reports of business operations and financial statements one year backwards and before the year the application for authorization is granted, except for newly established companies

2.2 Information of payment services

- 2.2.1 Organizational structure and administrative management to support business operations by showing the unit and staff that perform the duties, including identifying the responsibilities that govern the information technology system.
- 2.2.2 Details of payment services:
  - 1) Name s and types of services;
  - 2) A description of the terms, types, and scope of services, such as user groups, types of goods, places and fees of services;
  - 3) Details of the processes, methods and procedures for providing services, such as: operating system diagrams, a manual of detailed description of the technology used in the payment services and technologies used for securing the payment service system and other operational integration guidelines.
- 2.2.3 The number and list of persons involved in the payment service, such as agents, partners or shops, as well as a copy of the contract or commitment that states the responsibilities between the person who is intended as the payment service provider and the person involved in their service (if any);

2.3 Regulations and standard on the information technology security system with at least the regulatory standard on Information technology security measures of the Bank of the Lao PDR;



- 2.4 Plan for the operation of payment services over a three-year period, including investments in the system, revenues, expenses, amount of transactions, and services to be increased, source of funding, as well as a feasibility study that shows competitor analysis, markets, external and domestic environments and also specifying the assumptions used to create the plan and the estimated cost;
- 2.5 Implementation plans for supporting business operations by showing the details prepared for each period (Timeline), if any.
- 2.6 Risk management regulations, which include the main contents: main types of risk, risk assessment in the payment service, identification of the main risk indicators and responsibilities of stakeholders, including the administrative processes and management of main risk which govern how to identify, manage, monitor and manage the risk management services of the payment service provider;
- 2.7 Business Impact Analysis (BIA) and Business Continuity Management (BCM) by assigning the responsible person and the business continuity management details to the type and complexity of the services provided, the following are:
  - 2.7.1 Establish a business continuity management (BCM) policy;
  - 2.7.2 Business Continuity Planning (BCP);
  - 2.7.3 Define guidelines for monitoring, valuation, and testing Business Continuity Planning;
- 2.8 Internal control system, which covers the detection of defect items by specifying the responsibility of the unit involved in the management, control and monitoring of operations.
- 2.9 Guidelines and details of services provided by third party service providers in place of information and technology systems related to payments, as well as systems having a significant impact on the payment services as follows:
  - 2.9.1 Duration, scope of service and responsibilities of stakeholders
  - 2.9.2 Principles for selecting, monitoring and evaluating the risks of using the Service;
  - 2.9.3 Service agreement from outsourcer;
  - 2.9.4 Business continuity planning for using outsourcer;
- 2.10 Policies and measures of anti-money laundering and counter-financing of terrorism as defined by the Anti-Money Laundering Intelligence Office in each period;
- 2.11 Regulations for the protection of service user, for example: Provisions for the storage of personal information of service users and dispute resolution;
- 2.12 Documents certified of connection to the retail transaction payment system. Commercial banks are exempt from the supporting documents set forth in clause 2.1 of this Article.

#### Article 16 Registration Capital

Those who wish to be a payment service provider as defined in Article 13 of this Agreement shall have the registration capital in each of the following categories:

1. Card Payment at least twenty billion kip;
2. Electronic Money at least ten billion kip;
3. Electronic Acceptance:
  - 3.1 Acquiring at least eight billion ;
  - 3.2 Payment Facilitating at least one billion kip;
  - 3.3 Bill Payment Service at least one billion kip;
4. Electronic Money Transfer Service at least one billion kip.

The registration capital must have a cash ratio of at least seventy percent of the total registered capital.

The person who intends to be a payment service provider must be fully registered in his / her deposit account at the Banking Services Department from the date of authorization. Those who intend to be a payment service provider to serve more than one type of payment service must have a higher registered capital of the payment service type as defined higher. The registered capital is used to prepare the payment service or other activities with a clear plan for use of the funds and with the approval of the Department of Payment System Management.

#### Article 17 Payment service that needs to be registered

Payment Service to be registered payment service to be registered is a payment service that offers a limited range of services and has a narrow impact as follows:

1. Providing electronic money transfer services to support their business, with advance payments as required by the Department of Payment System Management to pay for goods, services or other charges to vendors or suppliers of such services as follows:
  - 1.1 Use payment of any goods or services in the same place or in the same area as the same payment provider or as a business under the same Franchise model;
  - 1.2 Pay for goods or services to a shop where the payment provider holds shares more than fifty percent of the registered capital of the shop;
2. Payment services as set forth in Article 5 of this Agreement by the introduction of new technologies to be used.

#### Article 18 Requirements and documents for payment services to be received registration

Any person who intends to be a payment service provider as defined in Article 17 of this Agreement shall meet the requirements set out in Article 31 of the Law on Payment System and has the following conditions:

1. A company that registered its enterprise in Lao PDR;
2. Lao national holders that hold shares at least ten percent of the total shares;
3. There is at least one manager who is Lao nationality and has a residence in Lao PDR at least one person;
4. Have a business planning;
5. Have a link system with sub-transaction payment system.

For supporting documents will be followed as defined in the Article 15 of this Agreement.

**Article 19 Payment service must be informed**

The only payment service that needs to be informed is the payment service in a narrow range; there is no effect in the wide range and serve specifically in domestic services as follows:

1. Payment Card services to pay for goods, services, or other charges, as their own business;
2. An electronic money service with an average six-month cash advance of less than ten billion kip to pay for such goods, services or other charges as follows:
  - 2.1 Pay for any goods or services in the same place or area as the same provider or business under the same authorized form;
  - 2.2 Pay for goods or services to a shop where the payment provider holds shares more than fifty percent of the registered capital of the shop.
3. Electronic payment services which have the following aspects:
  - 3.1 Payment for goods, services or other charges during their own business hours;
  - 3.2 Paying by payment card or a payment instrument by their own;
  - 3.3 Payment for goods or services related to telecommunications;
4. The electronic money transfer service of the State organization or cooperative that provides services to service users as its members.

**Article 20 Requirements and documentation for payment services must be informed**

Those who wish to be a payment service provider as defined in Article 19 of this Agreement must meet the following requirements

1. A company that registered its enterprise in Lao PDR;
2. There is at least one manager who is Lao nationality and has a residence in Lao PDR at least one person;
3. Have a business planning.

For supporting documents will be followed as defined in Article 15 clause 1, 2.1, 2.2, 2.3, 2.10 and clause 2.11 of this Agreement.

## **Chapter 2 Consideration**

**Article 21 Consideration**

The Department of the Payment System Management shall consider an authorization as payment service provider by issuing an Authorization Certificate or Registration Certificate within thirty days from the date of receiving the complete supporting and accurate documents. In case of rejection, the written notification shall be provided with the reason for the payment service as set out in Article 19 of this Agreement; the Department of Payment System Management shall issue a Notice of Payment Service only.

When considering an approval to be a payment service provider, if necessary, the Department of Payment System Management has the right to obtain additional documentation and information from those who wish to obtain authorization as payment service provider or invite relevant parties for providing information.

The Department of the Payment System Management will issue a business license or a certificate of service from the date the person intending to be the payment service provider fulfills the following conditions:

1. Complete the registration of capital as stipulated in paragraph two and paragraph three, Article 16 of this Agreement;
2. Appropriate office and equipment for conducting business;
3. There are other conditions as determined by The Department of the Payment System Management;

In the event that the person intending to apply for a payment service provider fails to comply with the conditions set out in paragraph 3 of this Article within ninety days, the application for a service provider license will be rejected.

#### **Article 21 Consideration**

The Department of the Payment System Management shall consider an authorization as payment service provider by issuing an Authorization Certificate or Registration Certificate within thirty days from the date of receiving the complete supporting and accurate documents. In case of rejection, the written notification shall be provided with the reason for the payment service as set out in Article 19 of this Agreement; the Department of Payment System Management shall issue a Notice of Payment Service only.

When considering a approval to be a payment service provider, if necessary, the Department of Payment System Management has the right to obtain additional documentation and information from those who wish to obtain authorization as payment service provider or invite relevant parties for providing information."

#### **Article 22 Use and Age of Using**

The payment service provider must use the license and registration form in accordance with the licensing model without the right to grant, transfer or give it to someone else to use it instead.

The certificates of authorization (licenses) and registrations are valid from the date of authorization onwards as follows:

1. Five year license renewal;
2. The registration certificate is valid for three years.

Licenses and registrations can be renewed, provided that the payment service provider intending to pay the service must submit a complaint to the Department of Payment System Management for at least fifteen days to be considered before expiration.

#### **Article 23 Public Dissemination**

The Payment Service Provider shall announce the issuance of the payment services to the public through media for at least five business days from the date of such authorization.

Payment service providers must disclose or display a license or registration form at their office, especially where the service user can see the details in order to ensure that the service user or other work relationship is clearly visible throughout the life of application.

Article 24 Annual fees, service charges and management fees

Annual fees, service charges and management fees are as follows:

1. Fee of authorization issuance as a payment service provider with 0.1% of the registered capital;
2. Fee of service and research for the issuance of an authorization as a payment service provider mounting two million kip per time;
3. Fee of service and research for the renewal or registration of an authorization certificate amounting one million kip per time;
4. Annual management charge with 0.1% of the total annual revenue, for revenue associated with payment service, the annual management payment begins to be received from the authorized year onwards, based on the number of months authorized during that year.

For financial institutions under the supervision of the Bank of the Lao PDR and the provision of payment services to be informed, the annual fees and management charges are waived.

Article 25 Schedule payment, fees, and annual management coverage charges

Those who have the purpose or payment service provider shall pay annual fees, services and management charges to the Bank of the Lao PDR at the Banking Services Department as follows:

1. Fee for issuing an authorization certificate as payment service provider within the authorized date;
2. Research fee for an authorization as a payment service within the date of application submission;
3. Research fee for the authorization licence renewal or registration within the day of application submission;
4. Annual management charge within the first quarter of next year.

## **Part IV**

### **Performance of Payment Service Provider**

Article 26 Performance of Payment Service Provider

The operations of the payment service provider must comply with the following principles:

1. Financial stability;
2. Administrative management;
3. Risk and safety administration;
4. Protection of service users;
5. Promotion of Competitiveness.

Payment service providers must follow the specific principles of the type of payment service in each payment instrument in accordance with the rules issued from time to time.

For payment services as set out in Article 19 of this Agreement, the Payment Service Provider may request the waiver of the principles as set forth in paragraph 1 of this Article, with the reasons and the need for the Department of Payment System Management to consider.

## **Chapter 1**

### **Financial Stability and Administrative Management**

#### **Article 27      Financial Stability**

Payment service providers must have sufficient and stable financing to operate their business and ensure continuous payment services.

The payment service provider must guarantee the financial status of the following:

1. There are registered capital as defined in Article 16 of this agreement:
  - 1.1 In the case of registered capital with high amount, such amount shall be reduced with the permission of the Department of Payment System Management, but not to the amount specified in Article 16 of this Agreement;
  - 1.2 In case of increase of registered capital, it shall be notified to the Department of Payment System in writing within fifteen days from the date of completion of such additional registration onwards.
2. Have sufficient capital ratios as determined by the Department of Payment System Management in each period.
3. Have a stable financial position and operations, which demonstrate the ability to carry on business, provide continuous payment services and do not pose any risk of harm to the service user, such as financial position, business and shareholders' equity;
4. Separate each service user's advance paycheck and keep such money at the commercial bank separately from his own property. In the case of a payment service provider is a commercial bank then can keep the advance paycheck in its own bank in a separate account. For the use of the advance paycheck shall comply with the procedures laid down by the Payment System Management Department in each period;
5. Have an account in accordance with the Law on Accounting and related regulations. In case of creating, using the accounting program and / or adding an account in the accounting chart, the bank must have the permission of the Bank of the Lao PDR.

#### **Article 28      Administrative Management**

Payment service providers must follow these administrative guidelines:

1. Conditions of doing business
2. Duties and responsibilities of manager;
3. Internal controls;
4. Change of control of activities.

## Article 29 Terms of Business Operations

Payment Service Providers must comply with the Business Requirements to ensure their business is conducted as authorized:

1. Business in compliance with plans, policies, measures and systems in the form of authorization from the Department of Payment System Management;
2. Manage and review measures, conditions and qualifications of the manager in accordance with this Agreement and related laws;
3. There are executive Directors who have the full knowledge, capabilities, qualifications and conditions as set forth in Article 14, clause 4 of this Agreement, in case of the Executive Director, who is out of office, he or she shall be replaced by a person who fulfills all the required conditions within forty-five days from the date of the end of his or her position;
4. Report the change of executive to the Department of Payment System Management to acknowledge either electronically or in writing within fifteen business days of the date of the change onwards;
5. Implement measures on anti-money laundering and counter-financing of terrorism as stipulated in relevant regulations.

## Article 30 Duties and Responsibilities of the Administrator

The Administrator has the following duties and responsibilities

1. Develop strategic plans, policies and business operating plans and disseminate them to their employees;
2. Take responsibility for risk management:
  - 2.1 Define effective risk management policies and measures to accommodate key risks, taking into account the complex patterns and strategies of doing business, as well as reviewing such policies and measures on a regular basis or whenever there is an incident or change that may affect a significant service;
  - 2.2 Monitoring and evaluation of risk assessments, business results versus risk management plans, risk levels or potential risk trends;
3. Establish an internal control system with appropriate review, appropriate balance of authority, and designate the personnel or agencies responsible for risk management and auditing to ensure business compliance with applicable laws and regulations;
4. Creating a business reporting system that is in violation of the regulations and laws, rules of management, and its internal administrative regulations so that the executive or relevant entity can monitor or correct so that it does not cause any damage or impact on the business operations.
5. Determine how to record, keep accounting and related documents to show financial position and the actual business performance of the payment service provider.

## Article 31 Internal Control

Payment service providers must have their own internal control system in writing as follows:

1. Organizational structure with a system of auditing, balancing authority according to management principles and having clear organizational responsibilities to support the management, administration, control, reporting and monitoring of business operations;
2. Internal control mechanisms such as checking of defective items to cover risk of errors, fraud in performance, improper and insufficient risk management, failure to comply with its internal administrative rules or applicable law;
3. Appointment of a responsible officer or unit that monitors the knowledge, experience and independence of the unit that conducts the internal control and risk management activities to:
  - 3.1 Monitor the operation of the payment service provider in accordance with applicable laws and regulations;
  - 3.2 Conduct internal audit and risk management at least once a year, beginning next year from the year of authorization. After the completion of each audit, the audit results must be reported either through the approval of the Administrator to the Department of Payment System Management, either electronically or in writing within forty-five days from the date of completion of the audit. In the event that the audit results are incomplete, unclear, or if it is necessary, the Department of Payment System Management may submit to payment service provider to appoint an external auditor to perform the audit and report the audit results to the Department of Payment System Management, with the provider responsible for the cost of this audit.

#### Article 32      Change in activity control power

Any shareholder intends or transfers his or her voting shares, which would change the power or make any person entitled to vote in excess of fifty percent of the total number of voting shares of the payment service provider to be made as follows:

1. The legal entity must request comment from the Department of payment System Management electronically or in writing, as well as describe the details of its implementation, assessing its potential impact and potential risks to the business and its payment services. The Department of Payment System Management will consider, reject or agree upon the terms and conditions within thirty days from the date of receiving application and supporting documents which are correct and complete. In the event that the payment service provider fails to comply with the agreement or fails to comply with the terms will be suspended or terminated the agreement later;
2. The foreign legal entity shall notify the Department of Payment System Management either electronically or in writing within seven (7) days of the change as well as describe the details of the operations, assess the impacts and potential risks to the business operations and the payment service.



## **Chapter 2**

### **Risk and Safety Administration**

#### **Article 33 Risk and security management**

The payment service providers shall define the risk and security management of the payment services in accordance with the form, size, volume of transaction and complexity of the type of payment service in writing form and approval of the Administrator, which applies as follow:

1. Define a risk management policy;
2. Information technology security;
3. Usage of services from outsource service;
4. Appointment of agents;
5. Changes in business operations;
6. Temporary discontinuation or disruption in settlement services.

#### **Article 34 Risk Management Policies**

The payment service provider shall have the appropriate risk management system for its payment services in relation to the risks that may arise in writing form as follows:

1. Define the risk management processes such as risk identification, risk assessment and risk management to control or mitigate potential risks, as well as designate person responsible for risk management by reporting the outcome of the risk monitoring and management to the executive in periodically.
2. Establish a Business Continuity Management (BCM) Policy and a Business Continuity Plan (BCP) to accommodate cases or incidents in accordance with the pattern, size, volume of transactions and complexity of the types of services to reduce the impact of the service that may occurred.
3. Set to have a back-check system.

#### **Article 35 Information Technology Security**

Payment service provider must comply with regulations of information technology security of the Bank of the Lao PDR as well as the information technology security check, reliable accuracy with Integrity, be ready to provide a continuous payment service (Availability) and must be reviewed by auditors with the knowledge, skills, experience and independent from the agencies that perform the functions of the information technology system to conduct the audit, risk assessment of technology and information and reports to the executive to approve together with a copy of the report to the Department of Payment System Management via electronic or written in Five days after the completion of the inspection onward.

In the event that the audit results are incomplete, unclear, or if it is necessary, the Payment System Management Department may request the payment service provider to perform

an external auditor to perform an audit and report the audit results to the Payment Management Department that the payment service provider will be responsible for the payment of the audit.

#### Article 36 Use of services from Outsourcer

The Payment Service Provider may use services from outside service providers (outsourcer) to assist in the management of any of its information technology systems, where the Payment Service Provider is responsible to the service user in providing service continuous, secure, and reliable and any other possible damage as may be caused by the system manager.

Payment service provider using services from outsourcer must do the following:

1. Properly selecting, monitoring, evaluating and validating external service providers (outsourcer), assessing the risks of consistent use of the service, as well as assessing risks related to confidentiality, data privacy and its impact on their own payment services;
2. There is a service agreement that specifies the rights and duties of the internal auditors, external auditors, and the Department of Payment System Management in assessing the operation and internal control of outsourcer in relation to payment services;
3. Have a Business Continuity Plan (BCP) or Disaster Recovery Plan (DRP) to use outsourcer as well as to regularly test and review the implementation so that it can be implemented as planned;
4. In the event of using a service from a foreign outsourcer, especially for the data storage, processing or processing of any data, the payment service provider must assess the risks that may arise due to the risk of unauthorized access to data due to interruption or blocking the communication network or international communication systems (Information Access Risk) and Legal risks associated with complying with the Cross Border Compliance and and a plan to address the risks.

#### Article 37 Appointment of agents

Payment service provider may appoint agents to provide services on their own behalf in accordance with the procedures of the Bank of the Lao PDR on appointment of agent.

Appointment of payment service agent is also the responsibility on the client as well as yourself service responsibility.

#### Article 38 Business Transformation

Payment service providers that intend to change their business beyond the permitted limit or register must do so as follows:

1. Adding a new service or canceling an old service is to submit a request for authorization by attaching information and documents electronically or in writing to the Department of Payment System Management before proceeding. The Department of Payment Service Management will consider, reject, or approve the terms and conditions within thirty days from the date of receiving application which is complete and correct. In the event that the payment service provider is not truthful or does not comply with the terms will be suspended or terminated the agreement later;

2. Relocation of the Head Office, opening or closing of a branch is a request for the authorization by attaching information and documents electronically or in writing to the Department of Payment Service Management before proceeding. The Department of Payment Service Management will consider, reject or agree with the terms and conditions within thirty days from the date of receiving the application and document which are complete and correct. In the event that the payment service provider is not truthful or does not comply with the terms will be suspended or terminated the agreement later;
3. Changes to the form of payment service and changes to the information technology system, shall be informed either electronically or in writing to the Department of Payment Service Management, as follows:
  - 3.1 Modifications to the payment service form, as opposed to authorized or registered, at least fifteen days before the start attaching details of form service modifications as well as assessing the impact on the information technology system.
  - 3.2 Modifications in information technology system significant or impacting on the security of payment services that have been previously notified to the Payment System Management Department or authorized for at least fifteen days by attaching detailed schematic information of the payment service provider, significant modifications and impact assessments of information technology systems;
  - 3.3 Changes in the Name of payment service provider at least seven days prior to the change;
4. Any changes or modifications to the risk management plan must be reported to the Department of Payment Service Management at least fifteen days prior to implementation.

#### Article 39 Temporary Discontinuation or Disruption in Payment Services

Payment service providers that have a temporary suspension or disruption in payment services must do the following:

1. Pre-planned service interruptions, such as shutdowns for improving major system, which affect the broad range:
  - 1.1 Notify the Payment System Management Department electronically or in writing at least fifteen days prior to commencement of operations;
  - 1.2 Inform the the service user electronically or in writing and media means that make the service user be aware of at least seven days before the start of the opertaions;
2. Discontinuance or inconvenience in the payment service which affects the unplanned broad range must be reported to the administrator to acknowledge and shall:
  - 2.1 Notification to the Payment System Management Department of the payment services by notification of the cause and further troubleshooting later;
  - 2.2 Notify service users electronically or in writing and in the media means or in an office, branch, or agent in order to promptly notify the service user of any

termination or acknowledgment of service disruption by payment notice of the cause and further troubleshooting later.

### **Chapter 3**

## **Service User Protection and Promotion of Competition**

#### **Article 40 Service User Protection**

The payment service provider must take action to protect the users of their service in this way:

1. Setting of payment service rules;
2. Keeping personal information of service users;
3. Fee disclosure;
4. Disputes resolution.

#### **Article 41 Defining Regulations of Payment Services**

The Payment service provider shall define the services regulations and management of payment service provider in writing and disclose such rules to its serviceusers. The regulations of payment services must contain the following main contents:

1. Terms and procedures for proposal of service, suspension, withdrawal, or re-use the services;
2. Issuance of proof of payment;
3. Rights and obligations of service users;
4. Financial risk management measures.

In the event of a change in the regulations of payment services provider, the payment service provider must notify the service user electronically or in writing at least thirty days before the effect.

#### **Article 42 keeping service users personal information**

The payment service provider shall set forth the personal data storage of the service user in writing, setting the level of confidentiality for accessing and identifying persons with access to such data, as well as providing accurate, reliable, and to prevent unrelated persons accessing or modifying such information.

Payment service providers shall maintain the confidentiality of service users' personal information without disclosing such information throughout the service period and after termination of the service, except in any of the following cases:

1. Disclosure with the consent of the service user electronically or in writing;
2. Disclosure for the purpose of investigation or proceeding;
3. Disclosure to the payment service provider account auditors;
4. Disclosure for the benefit of defining the policy and management of payment system of the Bank of the Lao PDR;
5. Disclosure for any other benefit as defined in laws and relevant regulations.

#### Article 43 Disclosure of Fees

Payment service providers shall report the payment service details to the Department of Payment System Management and disclose it to service users electronically, in writing or in media vehicles. In the event of a change in fees of payment service provider, the payment service provider must inform the Department of Payment System Management and the user of the service at least thirty days before the effective date.

#### Article 44 Conflict resolution

The Payment Service Provider shall have a written dispute resolution procedure as follows:

1. Identify channels for receiving suggestions, comments, errors or misconceptions from service users, such as telephone numbers, office addresses or electronic mail that may be contacted;
2. Identify the methods, procedures and timelines for conflict resolution as well as provide training on how to implement them to the relevant staff. The Payment service provider shall conduct an audit and progress report, clarify the procedure for processing the request, and the resolution period within seven (7) days from the date of notification of any proposal, comment, error or misunderstanding by the service user;
3. Revise the proposal completely and inform the results of the operations to the proponent immediately upon completion.

#### Article 45 Promotion of Competition

Payment service providers must promote competition by targeting these services and providing effective services in writing:

1. Set targets for services that can be evaluated and measured, for example level of system availability and monitoring, evaluation, as well as reporting the results to their executives on a regular basis, and disclosing performance goals to service users to acknowledge;
2. To regularly survey and listen to the feedback of service users to develop and improve the system to meet the needs of service users and to keep up with the rapid changes in information technology, such as scope of service, payment tools for the payment services;
3. To cooperate with management agencies and regulators of retail payment systems in the development of infrastructure, system connectivity, innovative applications, and the opening of Application Programming Interface-API to enhance competition in the payments system of Lao PDR;
4. Identify and disclose principles of fair and open participation and exit.

## **Chapter 4**

### **Reporting, Disclosure and storage of information**

#### Article 46 Reporting and Disclosure

The Payment service provider shall periodically report to the Payment System Management Department daily, weekly, monthly, quarterly and yearly, ensuring the completeness, accuracy, clearness and timely in accordance with the form of reporting defined by the Payment System Management Department.

Payment service providers must disclose quarterly, annual, and other financial information and other data that enables the public to see the stability through their own website or other channels that the public is accessible and to provide appropriate mechanisms to inform their own service users as well as to inform the channels to the Department of Payment System Management. For the disclosure of financial statements of the commercial banks are required to comply with the law on commercial banks.

#### Article 47 Data storage

Payment service participants must maintain the payment service document type information for facilitating the inspection by keeping it for at least the period prescribed by applicable law, for electronic information must be kept for at least ten years.

### **Part V**

## **Operational Suspension and Withdrawal of Authorization as Payment Service Provider**

#### Article 48 Operational Suspension of Payment Service Provider

The Payment System Management Department will consider suspending the operations of the Payment Service Provider in any of the following cases:

1. Authorized on the basis of incorrect information;
2. Be prosecuted in any case;
3. Internal audit and risk management is incomplete or unclear;
4. Temporary suspension of services or problems, service deficiencies;
5. System was attacked by Cyber Threat;
6. As proposed by the competent authority;
7. Other cases that may harm the user of the service or payment system.

The Department of Payment System Management must inform the suspension of the payment service provider, along with the reason and timing of the payment. The suspended payment service provider may not provide the payment service until it has been successfully resolved and has received written approval from the Department of Payment System Management.

#### Article 49 Withdrawal Authorization as a Payment Service Provider

The Department of Payment System Management will consider withdrawing the authorization as a payment service provider in any of the following cases:

1. Withdraw voluntarily;
2. Conducting business in non-compliance with plans, policies, measures and systems as authorized by the Department of Payment System Management;

3. Be sentenced by the court as bankruptcy;
4. No renewal of license or registration;
5. Cannot be amended as defined in Article 48 of this Agreement;
6. Not able to run the business regularly for two years;
7. As proposed by the competent authority;
8. Violate this Agreement and any other applicable regulations.

Withdrawal of authorization as a payment service provider shall take effect upon the completion of the settlement as set forth in Article 50 of this Agreement and the procedures set forth by the Payment System Management Department.

The Department of Payment System Management must inform the issuance of the authorization as a payment service provider through the media for at least ten consecutive days from the date of revocation onwards.

#### Article 50      Payments

Payments must be made in the following steps:

1. In case of a voluntary withdrawal, the following steps must be taken:
  - 1.1. Payment Service Provider announces purpose by attaching a payment plan, protection policy of service user rights and benefits, license or registration and related documents electronically or in writing to the Payment System Management Department at least forty-five days prior to the termination of the service;
  - 1.2. Notice of Termination of payment services to service users through public media means;
  - 1.3. Report the payment results to the Department of Payment System Management within five days from the date of payment.
2. Violations of the law must be followed:
  - 2.1. Payment Management Department will notify the withdrawal of authorization to payment service providers;
  - 2.2. The Payment System Management Department appoints a specific committee to process the settlement;
  - 2.3. The Task Force Committee processes the settlement and reports to the Department of Payment System Management;
  - 2.4. The Department of Payment System Management has announced the withdrawal of the licenses as a payment service provider and inform the public to acknowledge through media means.
3. In case of being sentenced by the court as a bankruptcy, the settlement shall be preceded in accordance with applicable laws and regulations.

## **Part VI**

### **Management and Inspection**

#### Article 51 Governing Body and inspection

The Bank of the Lao PDR administers the countrywide payment service, with the Department of Payment System Management in charge of managing and monitoring the payment services on the basis of coordination and exchange of information with relevant parties.

#### Article 52 Rights and duties of the Payment System Management Department

In managing payment services, the Payment Management Department has the rights and duties as follows:

1. Manage and monitor participants providing payment services in order to comply with applicable principles, standards and regulations in accordance with the laws and regulations;
2. Research, develop and update policies, strategies and regulations related to the provision of payment services appropriate to the economy and from time to time to internationally;
3. Set service charge rate to match the growth of the economy in each period;
4. Research and consider payment of disputes between payment service participants;
5. Offer participants the payment service to improve, develop, and troubleshoot issues related to payment services to ensure success in carrying out the work;
6. Identify additional principles, criteria or requirements for managing the Participant in payment service;
7. Advertise, disseminate legislation and payment information through media means;
8. Take action against violators of this Agreement;
9. Coordinate with relevant departments to manage the work of payment service;
10. Exercise rights and perform other duties in accordance with relevant regulations.

#### Article 53. Contents of inspection

The inspection of the payment service has the following contents:

1. Implement policies and legislations related to the payment services;
2. Providing the payment services;
3. Other tasks as assigned by the Bank of the Lao PDR.

#### Article 54 Form of Inspection

There are two forms of inspection:

1. Inspection of documents;
2. Internal Inspection.

Documentary inspections are regular inspections of information and documents that are reported to the Department of Payment System Management or as requested in the form of a copy or electronically to analyze, assess risks and to monitor compliance with laws and regulations on the payment systems.

An internal inspection is a collection of information and documents including interviews, quizzes and / or consultations.



## **Part VII**

### **Measures against violators**

#### **Article 55 Measure against Violator**

Payment service participants and relevant agencies involved in settlement services which violation of this Agreement shall be subject to educated, warned, fined, civil and criminal penalties.

#### **Article 56 Educational Measures**

Individuals, legal entities, organizations, and participants of payment services that violate this Agreement for the first time and do no harm will be subject to the written educational measures.

#### **Article 57 Warning Measures**

Individuals, legal entities, organizations, and participants of payment services will be warned in writing if any of the following behaviors:

1. Educational measures are implemented but continue to be violated;
2. Reduced registered capital without authorization from Department of Payment System Management;
3. Increased registered capital without informing the Department of Payment System Management;
4. Violation of the financial position and stable operational requirements, risk of failure to continue business and continuous service provision, and risk of damage to service users, such as changes in financial position, past business performance, and shareholder's shares adversely affect the payment service.

#### **Article 58 Fining Measures**

Individuals, legal entities, organizations, and participants of payment services that violate this Agreement will be subject to fines depend on a case-by-case basis, as follows:

1. Running unauthorized business in the following forms of authorization:
  - 1.1. Providing payment services without licence from the Bank of the Lao PDR will be fined 100,000,000 kip;
  - 1.2. Providing payment services without registration certificate from the Bank of the Lao PDR will be fined 50,000,000 kip;
  - 1.3. Providing payment services without informing will be fined of 30,000,000 Kip;
2. Running business on the basis of providing inaccurate or fraudulent information in any form will be fined from 70,000,000 Kip to 100,000,000 Kip or 10 percent of damages. In case providing without license will be fined from 70,000,000 Kip to 100,000,000 Kip and the direct accomplice will be fined from 30,000,000 Kip to 50,000,000 Kip;

3. Any information or false declaration that affects the service user or the public will be fined from 10,000,000 Kip to 25,000,000 Kip, executives managers and other direct accomplice will be fined from 5,000,000 Kip to 15,000,000 Kip;
4. Disclosure of information or trade secrets, personal information of the service provider for its own benefit or that of another person shall be fined 50,000,000 Kip or ten percent of the damage value;
5. Disclosure, use, and transmission of personal information of a payment service provider for his or her own benefit or that of another person shall be fined 50,000,000 Kip per time or ten percent of the value of damages;
6. The consolidation of a user's advance payment in each service will be fined 50,000,000 Kip;
7. The consolidation of a user's advance payment into his/her own account or the use of the user's advance payment shall be fined from 20,000,000 Kip to 50,000,000 Kip;
8. The risk and security management is not in line with the form, size, transaction quantity and complexity of the payment service types will be fined from 10,000,000 Kip to 50,000,000 Kip;
9. Failure to protect the users of its services, including payment service regulation, disclosure of regulatory changes, storage of personal information, disclosure of the fee and dispute resolution will be fined from 5,000,000 Kip to 50,000,000 Kip;
10. Failure to report for a specified period from one to five days shall be fined up to 3,000,000 Kip per day; in case of delay more than five business days, failure to report will be fined 30,000,000 Kip;
11. Failure to maintain the documents shall be fined from 5,000,000 Kip to 10,000,000 Kip;
12. Issuance the certificate of payment to service users that not comply with regulations will be fined 5,000,000 Kip or ten percent of the damage value;
13. Leasing, borrowing and transferring the license shall be fined 50,000,000 Kip;
14. Providing payment service exceed the specified time in license shall be fined from 5,000,000 Kip to 10,000,000 Kip;
15. Failure to cooperate in the inspection with the Department of Payment System Management shall be fined 10,000,000 Kip;
16. Behavior that poses a threat to the payment system, which is a violation of the rights and benefits of customers, breaking the prudential of the provider and other violations will be fined 50,000,000 Kip;
17. Unauthorized use of a customer's advance payment will be fined from 50,000,000 Kip to 80,000,000 Kip;

#### Article 59 Extra Measures

Payment service providers that were imposed fines measures will be implemented an extra measure on a case by case basis:

1. Suspend services, expand branches and agents;
2. Withdrawn a license;
3. Other measures of the Department of Payment System Management consideration.

#### Article 60 Civil and Criminal Measures

Individuals, legal entities, organizations, and participants of payment services that violate this Agreement, which damages others, is liable to be paid for compensation based on their actual costs.

Individuals, legal entities, organizations, and participants of payment services that violate this Agreement and have elements of the criminal offense shall be punishable by the gravity of the offence.

#### Article 61 Form of Measures

The action taken against the violator shall be in writing, with the following main contents:

1. Name of violator;
2. Contents of violations;
3. Measures taken;
4. Timeframe to address;
5. Further measures in the case of a continuing violation.

Implementation of measures, the Department of Payment System Management has the responsibility to coordinate with relevant agencies to implement.

### **Part VIII**

#### **Final Provision**

#### Article 62 Implementation

The Department of Payment System Management, the payment services participant and the concerned parties to the payment services shall strictly implement this Agreement.

#### Article 63 Effectiveness

This agreement is effective from the date of its signature.

For payment service providers authorized prior to this agreement to enter into force, this supplement documents shall be accompanied by a valid and complete application as provided in Article 15 of this Agreement and shall be submitted to the Payment System Management Department within ninety days from the effective date of this Agreement.

For individuals, legal entities or organizations providing payment services as set out in Article 19 of this Agreement before this Agreement takes effect, it shall notify the Payment System Management Department within fifteen days from the date of entry into force of this agreement.

**Governor of the Bank of the Lao PDR**  
(Seal and Signature)

**H.E. Sonexay Sithphaxay**