

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Bank of the Lao PDR

No. 811/BOL
Vientiane Capital, dated 18 October 2010

Agreement
on Measures against Violations of Commercial Banks

- According to the Law on the Bank of the Lao PDR, No. 05/NA, dated 14 October 1999;
- According to the Law on the Commercial Banks, No. 03/NA, dated 26 December 2006;
- In accordance with the Decree on the Implementation of the Law on the Commercial Banks, No. 275/PM, dated 25 September 2009;
- Based on the Research and Proposal from the Department of the Commercial Bank Management and Financial Institution, No. 172/DCBMFI, dated 02 November 2009.

The Governor of the Bank of the Lao PDR
has issued the Agreement

Article1. Objectives

This Agreement determines measures the measures against violators of the Law on the Commercial Banks and the regulations issued by the Bank of the Lao PDR to educate, raise awareness, comply with the laws and regulations, and ensure that commercial banks grow, are strong, secure and stable.

Article2. Scope

This Agreement applies to Commercial Banks, major shareholders, executives and employees of Commercial Banks that violate the Law on Commercial Banks and regulations issued by the Bank of the Lao PDR.

Commercial Banks in this Agreement include Commercial Banks and foreign commercial banks branches located in the Lao PDR.

Article3. Violations

The violations in this Agreement include:

1. Violation of the establishment and use of a license;
2. Violation of the prohibition on doing business (as set forth in Article 43 of the Law on Commercial Banks);
3. Violation of the security measures (as set forth in Article 44 of the Law on Commercial Banks);
4. Violation of the implementation of the reporting regime to the Bank of the Lao PDR (as set forth in Article 65 of the Law on Commercial Banks);
5. Violation of the rules on the use of registered capital and investment money;
6. Failure to cooperate, non-compliance with instructions of the inspector from the Bank of the Lao PDR or external auditor;
7. Failure to comply with the orders, instructions or notices of the Bank of the Lao PDR.

Article4. Measures against Violations

Commercial Banks, major shareholders, executives and employees of Commercial Banks that violate the Law on Commercial Banks and regulations issued by the Bank of the Lao PDR will be subject to the following measures:

1. The case of non-serious violations are:
 - warned in paper;
 - fined not exceeding 1,000,000 kip;
2. In the event that the measures prescribed in Point 1 of this Article have been implemented, continuing violations or severe violations shall be:
 - Fined from 1,000,000 kip to 10,000,000 kip;
 - Suspend or remove an administrator position;
 - Restrict fundraising, credit release, etc. that the Bank of the Lao PDR deems necessary;
 - Withdraw the license of the establishment and proceed to the settlement;
 - Proceedings according to the laws.

Article5. Forms of Warnings and Fines

1. The warning must be in writing containing the following contents:
 - Name of the warned commercial bank;
 - Content of the violation;
 - Set time for revision;
 - Measures after warning in case of continuing violations.

2. Fines must be in paper containing the following content:

- Name of the fined commercial bank;
- Content of the violation;
- Number of violations;
- Number of times of fines;
- Set time for revision;
- Measures after warning in case of continuing violations.

Article6. Violation of the establishment and use of a license

A commercial bank will be dissolved and its license will be revoked if any of the following violations:

1. Authorized to be established on the basis of inaccurate information provision, this information is important, which will make the bank unstable;
2. Not to conduct its business activities within 90 days, from the date of establishment;
3. The operation of the commercial bank during the first 3 years did not follow the business plan proposed for establishment without sufficient reasons.
Commercial banks will be warned or fined 1,000,000 kip to 10,000,000 kip if an act constitutes a violation as follows:
 1. Doing business illegally as permitted;
 2. Give, transfer or authorize another person to use his or her license.

Article7. Violation of Prohibitions on Doing Business

The Commercial Bank which violates the prohibitions on doing business as set forth in Article 43 of the Law on Commercial Banks shall be subject to the measures in accordance with Article 4 of this Agreement.

Article8. Violation of Security Measures

The Commercial Bank shall be subject to the measures in accordance with Article 4 of this Agreement in the event of a breach of the security measures as set forth in Article 44 of the Law on Commercial Banks.

Article9. Violations of Reporting Regime

If a commercial bank submits a report late, reports inaccurately or fails to comply with the reporting regime set forth in Article 65 of the Commercial Bank Law and as required by the Bank of the Lao PDR in each period, the following measures will be taken:

1. In case of late report submission
 - Warning in paper;
 - In case of warning already, continuing violations shall be fined 1,000,000 kip per day.
2. In the event of incorrect report submission:
 - Warning in paper;
 - In case of warning already, continuing violations or severe violations shall be fined from 1,000,000 kip to 10,000,000 kip;
 - Suspend or remove an administrator position;
 - Restrict fundraising, credit release, etc. that the Bank of the Lao PDR deems necessary;
 - Withdraw the license of the establishment and proceed to the settlement.

Article10. Violation of the use of registered capital and investment money

Commercial Banks violating the rules on the use of registered capital or investment money shall be subject to the measures in accordance with Article 4 of this Agreement.

Article11. Failure to cooperate, non-compliance with the instructions of the inspector or auditors

Commercial Banks, if they do not cooperate, do not follow the instructions of the auditor from the Bank of the Lao PDR or the external auditor shall be subject to the measures in accordance with Article 4 of this Agreement.

Article12. Failure to comply with the orders, guidelines or notices of the Bank of the Lao PDR

Commercial Banks which fail to comply with the orders, guidelines or notices of the Bank of the Lao PDR shall be subject to the measures in accordance with Article 4 of this Agreement.

Article13. Implementation

The Department of Commercial Banks Management to implement, monitor, inspect, warn and impose fines on commercial banks that violate this Agreement.

Article14. Effectiveness

This Agreement is effective from the date of signing and replaces the Regulations on the Security of Commercial Banks and Financial Institutions under the Bank of the Lao PDR, No. 04 / BOL, dated 15/01/1996.

Previously promulgated regulations and notices and notices contrary to this Agreement shall be repealed.

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

Phoupheth Khamphounvong