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Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

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Prime Minister's Office

Ref. No. 255/PM
Vientiane, date: 24 May 2010

The Government's Decree on Securities and Securities Market

- Pursuant to Law on the Government of the Lao PDR, No. 02/NA, dated 6 May 2003;
- Pursuant to Enterprise Law, No. 11/NA, dated 9 November 2005;
- Upon the proposal set forth by the Chairman of the Securities and Exchange Commission, No.001/SEC, dated 18 March 2010.

The Prime Minister issues hereby the decree:

Part I
General Provisions

Article 1. Objective

Decree on Securities and Securities Market prescribes principles and regulations on the establishment, and operations of the Securities and Exchange Commission, regulations on the establishment and operations of a securities exchange, regulations and supervisions of securities public offering and listing, and operations of securities companies in order to promote fund raising from the

public, in order to ensure that securities-related activities in the market are conducted in a public, equal, transparent, in order and efficient manner and protecting investors' legitimate rights and interests.

Article 2. Securities and Securities Exchange

Securities mean a financial instrument which an issuer uses for the purpose of fund raising in order to finance their business operations. Securities shall include shares, bonds, and other kinds of securities as specified by the Securities and Exchange Commission.

The Securities Exchange shall serve as a center for trading of listed securities and shall be established in compliance with this Decree.

Article 3. Definitions of terms

Defined terms in this Decree shall be interpreted as follows:

1. **“Share”** means the company's capital divided into portions of equal value certifying the lawful rights and interests of the shareholder over a part of the equity of the issuer.
2. **“Bond”** means a long-term debt security such that the bondholder has legal rights as guaranty to get paid back their invested principal with interest as agreed.
3. **“Listed company”** means the company having their securities listed on a centrally organized market.
4. **“Listed securities”** means the permission granted to eligible securities to be traded on a centrally organized market.
5. **“Public offering”** means an openly offering for sale of securities by any methods of offering via an securities company to at least thirty investors, excluding institutional investors.
6. **“Issuer”** means a legal entity that is approved by the Office in order to offer its securities to the public.
7. **“Prospectus”** means a document published for the purpose of providing information and inviting the public to subscribe or purchase the securities issued by the issuer.
8. **“Investor”** means individuals and legal entities participating in securities investment, aiming at capital or financial gains.
9. **“Institutional investor”** means a legal entity, including commercial banks, insurance companies, financial leasing companies, securities companies, and other kinds of financial institutions as specified by the Office.
10. **“Principal shareholder”** means shareholders holding 10% or more of the total amount of the issuer's voting shares.
11. **“Insider”** means any principal shareholders, members of the Board of Directors and management titles, managers and employees of the issuer, the issuer's underwriter, management titles and officers of an Exchange, an auditor of issuing company,

management titles and officers of the Office, who have access to internal information of the issuing company.

12. **“Inside information”** means any information regarding to the issuer that are not yet disclosed to the public, such disclosure would have great influence on its securities prices or investors’ decisions
13. **“Securities company”** means a financial institution licensed to undertake securities businesses, as specified in this Decree.
14. **Securities business** means securities brokerage, securities dealing, securities advisory, securities underwriting, and other securities-related businesses, as licensed by the Office.
15. **“Securities brokerage”** means the operation of a securities company acting as an intermediary to carry out securities buying or selling orders on behalf of the customers for brokerage fees.
16. **“Securities dealing”** means the securities company’s engagement in buying and selling securities for its own account.
17. **“Securities advisory”** means the securities company’s engagement in financial advisory and securities investment advisory.
18. **“Securities underwriting”** means the commitment made by an underwriter to help the issuer to complete procedures prior to an offer, to buy part or all of the securities issued by an issuing organization for resale or to buy the undistributed portion of the securities from the issuer, as agreed in an underwriting contract.
19. **“Securities professional practitioner”** means individuals passing a securities business qualification exams and receiving a Securities Practitioner License from by the Office.
20. **“Securities depository”** means the receipt of securities deposited by customers, safe keeping of customers’ securities, delivery of securities to customers and securities settlement.
21. **“Exchange member”** means a securities companies being established in accordance with this Decree and meeting membership requirements as specified by the Exchange.
22. **“Customer account”** means the account opened in a securities company by the customer in order to trade securities, and the person’s name as stated in the Securities Depository Book has the legal rights to own any securities in the account
23. **“Commission”** means the highest administration body of the Office of the Securities and Exchange Commission and being appointed in accordance with this Decree.
24. **“Office”** means the Office of the Securities and Exchange Commission.

Article 4. Securities market development and international cooperation policies

The Government of Lao PDR encourages individuals and legal entities to participate in the process of investment, operations and development in the securities market in order to mobilize long-term capital sources for the national socio-economic development.

The Government promotes international cooperation and relationship with friendly countries, based upon the principle of mutual benefits without any monopolistic conditions, in order for sharing lessons and experiences, exchanging information, attracting investment capital and technology transfer regarding to the securities and securities market in order to integrate the Lao capital market into the regional and global capital markets.

Article 5. Scope of application

This Decree stipulates the regulations concerning any individual and legal entity on public securities offerings, securities business services, securities investment, and a securities market within the territory of Lao PDR.

Part II

Securities Supervisory Authority

Section 1

Securities and Exchange Commission

Article 6. Roles of the Securities and Exchange Commission

The Securities and Exchange Commission acts as a secretariat for the Government in formulating necessary policies, strategic plans, regulations, management and supervisions over securities and the securities market on a uniform basis.

Article 7. Organization structure

The Commission shall comprise of Chairman, Vice Chairman, and commissioners representing the sectors of finance-banking, justice, Secretary-General of the Commission, and other related sectors.

The Public Administration and Civil Service Authority shall study, draft and propose requirements and qualifications of the commissioners to the Government for its consideration and approval.

Article 8. Appointment and removal

The Commission shall be appointed and removed from the office by the Prime Minister, and shall have terms of the office for five years and may be re-appointed.

Articles 9. Rights and duties

The Commission shall have the following rights and duties:

1. To submit to the Government for promulgation of newly-established regulations and amended laws, and strategic plans and policies of development on securities and the securities market;
2. To submit to the Government for promulgation of policies for the promotion and development of securities and the securities market;
3. To approve policies and plans on securities market development based upon the proposal by the Office.
4. To approve an annual operation plan and budget plan based upon the proposal by the Office.
5. To consider and grant licenses relating to the activities regarding securities businesses and the securities market based upon the proposal by the Office.
6. To approve necessary regulations relating to the activities of the Office.
7. To consider and approve changes relating to roles, duties and organization structure regarding the Office.
8. To propose the Prime Minister for appointment or removal of Secretary-General of the Office.
9. To appoint or remove the positions for Deputy Secretary-General of the Office, Director of Division and Deputy Director of Division in the Office.
10. To consider and approve the appointment and recruitment of senior officials and employees equivalent and below any positions of Deputy Director-General, including awards and sanctions against the offenders.
11. To monitor and inspect the activities of the Office.
12. To report and propose the opinions on the securities-related conditions and a securities industry to the Government at a regular basis.
13. To carry out other rights and duties according to the Government assignment.

Articles 10. Working method

The Commission shall perform the activities as agreed decisions of the Meeting and shall have a meeting at least in every two months. The Commission shall be granted the authority to define its roles and activities in further details.

Articles 11. Budget and sealed stamp

The Bank of the Lao PDR shall provide an annual budget to the Commission and its Office in order to perform their activities, including necessary equipments, infrastructure development and personnel training and development.

In the case that the Commission and its Office need further financial budgets exceeding the said budget as approved by the Bank of the Lao PDR, the Ministry of Finance shall be responsible for the required exceeding budget.

Any revenues as generated by the Office shall be transferred into the Revenue Account of the Bank of the Lao PDR.

The Commission shall have its official stamp for an official use.

Section 2

Office of the Securities and Exchange Commission

Article 12. Position and roles of the SEC Office

The Securities and Exchange Commission Office, abbreviated as “SECO”, acts as a secretariat for the Securities and Exchange Commission in formulating necessary policies, strategic plans, regulations, administration and supervisions over securities and the securities market.

Article 13. Organization structure

The Office shall comprise of Secretary-General, Deputy Secretary-General, directors of divisions, deputy directors of divisions, heads of sections, heads of working units, and a certain number of professional and administrative staff.

Officials and officers who are appointed and recruited in the Office shall perform their roles and duties in accordance with Regulation on Civil Servant Personnel Management.

Officials and officers of the Office shall have good ethics and professional qualifications at a certain level and shall be highly responsible for performing their assigned roles and duties.

Articles 14. Rights and duties

The Office shall have the following rights and duties:

1. To study, interpret and implement strategic plans, policies and decisions approved by the Commission, in regard with development activities on securities and the securities market;
2. To study securities-related rules and regulations, and then propose them to the Commission for consideration and approval;
3. To study and formulate an annual operation plan and budget plan, and propose the plans to the Commission for consideration and approval;
4. To study and improve roles, duties and the organization structure of the Office, to propose the appointment or removal of senior officials and employees equivalent and below any positions of Deputy Secretary-

- General, and any personnel recruitment in order to propose them to the Commission for consideration and approval;
5. To study and consider an application documents for securities public offering, and then to propose them to the Commission for consideration and approval;
 6. To manage and supervise securities public offerings in an orderly, transparent, fair and consistent manner and to protect the investors' legitimate rights and benefits.
 7. To study and consider an application documents for the establishment of securities business licenses and a securities exchange, and then to propose them to the Commission for consideration;
 8. To manage and supervise operations of the issuing companies, securities companies, and the securities market in a stable, transparent, fair and efficient manner;
 9. To organize an examination and grant Securities Practitioner Licenses, and to supervise the licensed securities practitioners;
 10. To collect, compile and analyze the information data on securities and securities market, and to make a report to the Commission at a regular basis;
 11. To disseminate regulations, information and knowledge on securities and the securities market to the public;
 12. To study and propose the awards to be granted toward individuals and organizations who have significantly contributed to the development in the areas of securities and securities market;
 13. To study and consider in the process of settling disputes and denunciations in activities of securities and the securities market, based upon its stated rights;
 14. To implement measures against violators in activities of securities and the securities market, as specified by the Commission;
 15. To coordinate with other related agencies in order to promote efficient operations in the field of securities and the securities market;
 16. To study and propose the international cooperation plan in the field of securities and the securities market, including exchange of information, to the Commission and carry out the said cooperation plan;
 17. To publicize and organize training sessions in the field of securities and securities market for the staff of the Office and securities-related practitioners;
 18. To carry out other rights and duties as specified by the Commission.

Part III

Securities issuance and public offering

Section 1

Securities issuance

Article 15. Criteria for securities issuance

Any companies established in accordance with Lao Enterprise Law, wishing to issue securities for public offering, shall meet the following criteria:

1. Being established in any kinds of company, except for a sole limited company;
2. Having a minimum paid-up charter capital at the time of registering for public offering at least two billion kip in book value;
3. Having sound financial performances; having not accumulated losses; being profit-making in the year preceding the year of such registration for offering; and its financial statement shall be audited by an external certified auditing firm. Additional conditions for offering bonds to the public, the enterprise shall not have overdue debts over than one year up to the year of registration for offering;
4. Other criteria and conditions as stipulated by the Office.

The Commission shall be granted the authority to formulate the regulations concerning overseas issuance and public offerings of any companies located in Lao PDR and any companies wishing to make an public offerings in Lao PDR.

Article 16. Application documents for securities public offering

The application documents shall include the following documents:

1. An application form of IPO as defined by the Office;
2. A certified copy of the company's business registration certificate;
3. The company's charter; the list and curriculum vitae of principal shareholders and members of the Board of Management;
4. Financial statements of the three most recent consecutive years which are audited by an approved external auditing company;
5. Decisions of the General Shareholder's Meeting or an authorized agency approving the plan for offering and use of capital received from the offering of securities to the public;
6. The commitment of underwriting;
7. The prospectus;
8. Other documents as specified by the Office.

Article 17. The prospectus

The prospectus shall include the following information:

1. Brief information on the issuer; including the Company's name, organizational structure, business activities, property, financial situation, the Board of Management or the company's owner, General Director and shareholders' structure;
2. Information on the offering and securities to be offered; including conditions for offering, risk factors, a number of shares and price per share to be offered, the plan of issuance and use of capital received from the offering;
3. The financial statements of the three most recent consecutive years or financial statements from the date of newly establishing a company which shall be audited by an approved external auditing company;
4. The list of an approved external auditing company, a financial advisory company, and a legal consultancy company;
5. Methods of securities subscription and offering;
6. Other information as stipulated by the Officer.

Article 18. Decision on securities offering license

The Office shall examine the application documents and notify the applicant of its decision in writing within 45 working days as from the date of receiving the complete and correct application documents.

In case of receiving the valid documents, the Officer shall grant the Certificate of Public Securities Offering to the applicant.

In case of refusal, the Office must respond the applicant in writing and clarify the reasons thereof.

Article 19. Characteristics of securities

Securities offered to the public shall have the following characteristics:

1. Securities shall be tradable and transferable;
2. Securities shall be denominated in Lao Kip or another currency as stipulated by the Office;
3. The par value of share shall not exceed 100,000 Kip, and the par value of bond shall not be less than 1,000,000 Kip.
4. Other characteristics as stipulated by the Office.

Article 20. Securities depository book

The securities depository book shall include the following information:

1. Information on the securities holder;
2. The issuer's name and business registration certificate;
3. Type of securities;
4. Amount and par value of the securities;
5. Date of securities offering and a securities code that is registered at the Office;
6. Terms and conditions on dividend or interest payment;

7. Terms and conditions of principal repayment in case of bond securities;
8. Authorized signature and official stamp of the securities companies;
9. Instructions on how to use the Securities Depository Book;
10. Other contents as prescribed by the Office.

Section 2

Securities public offering

Article 21. Public announcement of the issuance

The issuer is required to make a public announcement of its offering on the national mass media and directly advertise its offering to a group of minimum 30 investors excluding institutional investors or other forms as stipulated by the Office.

The issuer must submit the report on its offering price to the Office for a sale approval after completing the public announcement of its offering.

Information and contents to be advertised shall be consistent with and the same as contents written in the Prospectus as defined in Article 17 of this Decree.

The issuer shall complete the public announcement of its offering within 60 days as from the date of receiving the Certificate of Public Securities Offering.

Article 22. Distribution of securities

The issuer and the underwriter must conduct a distribution mechanism that allows investors to subscribe securities. In the case where the amount of securities subscribed exceeds the amount of securities allowed to issue, the issuer or the underwriter shall have to sell out the securities underwritten to investors proportionately with their purchasing registration.

The issuer shall complete the distribution of securities within 90 days as from the date of receiving the Certificate for Public Securities Offering. In case where the issuer cannot complete the distribution of securities to the public within such time limit, the Office shall consider the extension of this period, upon receiving an official request from the issuer, which shall not be more than 30 days.

The money for subscription of securities shall be transferred into a blocked bank account until the issue is completed and reported to the Office. The money in such an account shall not be withdrawn without an approval from the Office.

The issuer shall report the offering result to the Office in writing within 10 days from the date of completing the offering of securities.

The underwriter shall issue the Securities Depository Book to the buyers within 30 days from the date of completing the offering and receiving the Certificate for Securities Offering Completion from the Office.

Article 23. Foreign participation

Foreign investors shall be allowed to invest in securities in compliance with the relevant regulations as stipulated by the Commission.

Article 24. Suspension of the public securities offering

The Office shall have the rights to suspend the public securities offering in the following cases:

1. Provision of any inaccurate information or omission of any important contents in the Prospectus that may cause damages to investors;
2. The distribution of securities is not conducted in compliance with Article 21 and 22 of this Decree.

Article 25. Cancellation of the public securities offering

The Office shall have the rights to cancel the offering and prohibit the sale of such securities in the case that an issuer shall not overcome the causes leading to the suspension of the public securities offering as stated in Article 24 of this decree and violate any relevant regulations as stipulated by the Commission.

The issuer must refund the money to the investors and re-collect the distributed securities from the investors within 15 days from the date of the offering cancellation. If the issuer fails to do so within this time limit, the underwriter shall have to pay damages to the investors in accordance with the terms committed with the investor.

Part IV Securities Companies

Article 26. Establishment of securities companies

Person and organization who is willing to establish a securities company shall submit an application documents to the Office.

A securities company shall be established in a limited liability company, except for a sole limited liability company.

Article 27. Criteria for a securities business license

Person and organization who is willing to establish a securities company shall meet the following requirements:

1. Having an appropriate office location and adequate technical facilities for securities businesses;
2. Having a minimum legal paid-up charter capital as stipulated by the Commission;
3. Having its directors and practitioners who have qualifications and experience in the field of securities-related businesses, finance-banking, and qualified for being granted the securities practitioner certificate by the Office as specified in Article 42 of this Decree;

4. Having a reasonable business plan;
5. Other requirements as stipulated by the Office.

Article 28. License application documents

The application documents for securities business license include:

1. The application form as specified by the Office;
2. The agreement for establishing a securities company;
3. The company's charter;
4. Certificates related to the qualifications, work experience and securities practitioner certificate of proposed administrators, and principal shareholders;
5. The list of shareholders and their proportion of shareholding;
6. A certificate of financial status related to principal shareholders that is audited by an approved external auditing company; In the case of individuals as the shareholders, their bank deposit certificate(s) that are certified by a relevant bank shall be submitted;
7. A business plan for the first 3 business years;
8. Other documents as stipulated by the Office.

An applicant shall pay fees accordingly to regulations as specified by the Office.

Article 29. License decision

The Office shall consider the application documents and inform the applicant of the result in writing within 60 days as from the date of receiving full and complete application documents for a license.

The applicant shall be granted the Establishment and Operation License only if it satisfies all requirements as stated in Article 27 of this decree.

In case of refusal, the Office shall give a written response to the applicant stating the reasons thereof. The unsuccessful applicant shall be able to re-submit the application documents after any causes which make the Office not able to issue a securities business license have been overcome.

After receiving the approval for a license, the applicant shall apply for an enterprise registration certificate and tax registration certificate in compliance with applicable laws and has to undertake the business operations within 90 days after receiving the enterprise registration certificate.

Article 30. Scope of license

A securities company shall operate its securities business activities partially or fully, as follows:

1. Brokerage;
2. Dealing on own accounts;
3. Financial and securities investment advisory;
4. Underwriting;
5. Other securities businesses as authorized by the Commission.

Article 31. The securities company's charter

Each securities company shall have a charter that specifies:

1. Its corporate name that shall have a word "securities company" in front and "limited" or "public" at the end;
2. Its corporate address;
3. Its purposes;
4. The amount of its registered capital;
5. The classes and amount of its authorized shares and shareholders' structure;
6. Full names, addresses and nationalities of the company founders;
7. Governance structure;
8. Meeting and voting;
9. Method of dividend distribution;
10. Dispute settlement method; and
11. Method of liquidation.

The company's charter shall have the legal effect only after the securities company has a written approval of the Office.

Article 32. Changes that have to be approved

A securities company is required to obtain an approval in writing from the Office for the following changes:

1. Decrease of its paid-up charter capital;
2. Changes of address of the head office, branches or representative office;
3. Changes of its corporate name;
4. Changes of principal shareholders' structure;
5. Other changes as stipulated by the Office.

Article 33. Merger of securities companies

A merger of securities companies shall be subject to Article 159 and 187 of the Enterprise Law.

A securities company wishing to merge with another securities company shall submit its application documents to the Office. The Office shall consider the application and notify the applicant in writing within a maximum period of 60 days as from the date of receiving a full and complete application documents.

The new company established by the merger must proceed with the formalities of application for granting securities business license in accordance with Article 28 of this Decree.

Article 34. Securities companies established by foreign investors

Foreign investors are allowed to establish a joint venture securities company with domestic investors. The share of capital contributed by foreign

investors in a joint venture shall not exceed 51 percent of the total outstanding shares.

Article 35. Granting a securities business license for the branch of foreign securities companies

Foreign securities company wishing to establish its branch in the Lao PDR shall meet the following requirements:

1. Satisfying adequate requirements set out in Clause 1, 3, 4 and 5 of Article 27 of this Decree;
2. Having a minimum legal paid-up charter capital as specified by the SEC;
3. Having sound financial performance;
4. Receiving a permission certificate issued by a concerned supervision authority of its native country at the time of submission.

The applicant shall submit an application documents as set out in Article 28 of this Decree and provide the following additional documents:

1. Certified copy of its enterprise registrations
2. Permission certificate issued by a concerned supervision authority of its native country allowing it to establish its branch in Lao PDR;
3. Certified copy of the company's charter and its branch's charter;
4. The list of staff in each position;
5. The agreement or official document certifying the responsibilities and obligations of the parent company over the business operations undertook by its branch;
6. Other documents as stipulated by the Office.

Article 36. Scope of license regarding a branch of the foreign securities company

A branch of the foreign securities company is allowed to undertake the securities businesses:

1. Securities brokerage;
2. Securities dealing on its own account;
3. Other kinds of securities businesses as granted by the Commission.

Article 37. Representative offices of foreign securities companies

Foreign securities company wishing to establish its representative office in Lao PDR shall submit an application documents to the Ministry of Planning and Investment.

Representative offices are allowed to carry out the following scope of license:

1. Being a coordination office and undertaking a marketing study;
2. Promoting the technical cooperation regarding the development of securities and securities market in the Lao PDR;
3. Other activities as stipulated in applicable laws.

Article 38. Accounts and financial statements of securities companies

Each securities company shall implement accounting rules and standards as prescribed in Law on Enterprise Accounting.

Each securities company shall carry out and complete an annual external audit within the first quarter of the following financial year, and submit an audit report to the Office and publish a report of its financial situation to the public within April of each year.

Article 39. Suspension of the Establishment and Operation License of the securities company

The Office shall have the rights to suspend business operations of the securities companies in the following circumstances:

1. Failing to implement Law on Enterprise Accounting and a reporting regime as stipulated by the Office;
2. Violating provisions of any concerned regulations regarding securities and securities market;
3. Having evidence that a securities company conducts its business operations in a manner that may cause potential impacts on the investors' legitimate rights and benefits;
4. Violating any clauses as stipulated in Article 58 of this Decree;
5. Violating applicable laws and regulations of the Lao PDR.

Article 40. Revocation of the securities business license

A securities firm may be revoked from its securities business in any of the following cases:

1. Based upon the application request submitted by a securities company in accordance with the resolutions of its shareholders' meeting;
2. The application documents for issuance of or supplement to the securities business license includes any incorrect information that may cause any severe impacts on a capital market system and its sound business operations;
3. A securities company may merge with another securities company, leading a loss of its legal entity status.
4. Violating provisions on prudential requirements as stipulated by the Office;

5. Being dissolved or bankrupt;

Upon the revocation of its securities business license, the Office shall be responsible for make a public announcement on a national newspaper and on its electronic communication media for 10 consecutive days.

Article 41. **Liquidation upon revocation of a securities business license**

A securities company whose securities business license is revoked and terminated as described in Article 40 of this Decree shall implement a method of liquidation in the following cases:

1. If its securities business license is revoked in accordance with the decisions of the shareholders' meeting, a method of liquidation shall be subject to the provisions in Law on Enterprise;
2. If its securities business license is revoked due to its violation of applicable laws and regulations, its financial difficulties and business instability, the Office shall appoint a liquidation committee, comprising of representatives from relevant agencies, in order to implement any necessary liquidation process. The Office shall formulate a regulation regarding liquidation.
3. In case of dissolution and bankruptcy of securities companies by the court's decision, a method of liquidation shall be made in accordance with Law on Bankruptcy of Enterprise.

Article 42. **Securities Practitioner Certificate**

Individual wanting to be a securities practitioner shall be employed by a securities company and receive a securities practitioner certificate. The Office shall grant the Securities Practitioner Certificate to individuals who meet the following requirements:

1. Having adequate legal and civil behavior capacity;
2. Shall not be sentenced by the court of offences related fraud, deception, falsification of document, taking or giving bribe, corruption or money laundering;
3. Holding a university degree or above in the field of finance-banking, business administration, law, accounting or economics;
4. Having passed a securities-related examination organized by the Office.
5. An individual, who owns a professional certificate of securities and the securities market from a relevant authority of its native country may obtain the Lao Securities Practitioner Certificate

by passing an examination of applicable laws of Lao PDR organized by the Office.

Article 43. Revocation of Securities Practitioner Certificate

A securities practitioner shall be subject to revocation of the Securities Practitioner Certificate in the following cases:

1. The application documents for issuance of or supplement to the securities practitioner certificate includes any incorrect information ;
2. Violating the provisions on securities professional practitioners;
3. Not conducting any securities practice for 3 consecutive years.

Part V Securities Exchange

Section 1 Establishment

Article 44. Establishment of a securities exchange

A centrally organized securities exchange shall be established in a limited liability company, except for a sole limited liability company, and the establishment shall be decided by the Office.

Person and organization who is wishing to establish a securities exchange shall meet the following requirements:

1. Having an appropriate location and office;
2. Having adequate, modern and secure technical facilities for securities business operations;
3. Having its directors, audit committee and key staff who have qualifications and experience in the field of securities business;
4. Having a reasonable business plan and adequate capital;
5. Other requirements as stipulated by the Office.

Article 45. License application documents

The applicant shall submit the application documents for a securities exchange license to the Office.

The application documents include:

1. The application form as specified by the Office;

2. The agreement for establishing a securities exchange;
3. The exchange's charter;
4. Certificates related to the qualifications and experience of proposed administrators and principal shareholders;
5. The list of shareholders and their proportion of shareholding;
6. A certificate of financial status and other necessary documents related to principal shareholders;
7. A business plan for the first 3 business years after the establishment;
8. Other documents as stipulated by the Office.

An applicant shall pay fees accordingly to regulations as specified by the Office.

Article 46. Organizational structure of a securities exchange

The organizational structure of a securities exchange shall include the shareholders' meeting, Board of Directors, Audit Committee, Governance Committee, Securities Depository Center, Payment Supporting Fund, and some divisions.

The appointment of Chairman of its Board of Directors and its Chief Executive Officer shall be decided and approved by the Commission.

Article 47. The exchange's charter

The charter of a securities exchange shall have the contents in consistence with Article 82 as set out in Law on Enterprise.

The charter shall have the legal effect only if the securities exchange has a written approval from the Office.

Article 48. Rights of the securities exchange

The securities exchange shall have the following rights:

1. To promulgate the regulations on securities listing, securities trading, information disclosure and trading members upon approval from the Office;
2. To organize, manage and regulate the securities trading activities at the Securities Exchange.
3. To temporarily discontinue, suspend or, cancel securities trading in accordance with its applicable regulations.
4. To approve, cancel the listing of securities and monitor listed companies' implementation of listing requirements on the Securities Exchange;
5. To approve, cancel the membership of the securities companies at the Securities Exchange;
6. To supervise and monitor securities trading activities, to investigate any suspected transactions, and fine trading members at the

Securities Exchange. Such said fine shall not exceed 100 million Kip.

7. To supervise the information disclosure of listed companies and trading members at the Securities Exchange;
8. To provide market information and information relating to listed securities;
9. To act as a conciliator upon request of trading members when any disputes arise relating to securities trading activities;
10. To collect fees in accordance with the regulations upon an approval from the Office.
11. Other rights as approved by the Office.

Article 49. **Duties of the securities exchange**

The securities exchange shall have the following duties:

1. To ensure that securities trading activities in the market are conducted in a public, equal, orderly and efficient manner;
2. To comply with the reporting and auditing regimes in accordance with applicable laws;
3. To publish information relating to securities trading activities taken place in the Securities Exchange, listed securities and trading members;
4. To provide information and coordinate with competent state agencies in the investigation, and prevention and fight against violations of the provisions on securities and the securities market.
5. To carry out the dissemination and investor education regarding securities and the securities market.
6. To pay damages to trading members in case of failure to perform duties resulting in damages to trading members, except for force majeure cases;
7. To act as a center in regard with clearing and settlement on behalf of buyers and sellers, including transfer agent for securities among traders;
8. Other duties as approved by the Office.

Article 50. **Trading members**

Securities firms licensed accordingly to this Decree shall be eligible to register as trading members of the Securities Exchange upon conditions, procedures and provisions as provided for in its Regulation on trading members. Trading members shall operate in compliance with applicable regulations of the Securities Exchange.

Article 51. Securities listing

An issuer shall be eligible to list their securities in the Securities Exchange. The issuer shall have to meet requirements on capital, business operation and financial capability, the number and structure of shareholders as stipulated by the Securities Exchange. The issuer submitting the application documents for listing shall be responsible for the accuracy, honesty and adequacy of the listing documents in accordance with Regulation on securities listing as specified by the Securities Exchange.

The listed organizations shall operate in compliance with applicable regulations of the Securities Exchange.

Article 52. Securities trading activities

The Securities Exchange shall organize listed securities transactions according to the concentrated order-matching method in order to ensure a transparent, fair and efficient market operation.

Securities listed in the Securities Exchange shall be traded only at the securities companies being trading members of the Securities Exchange.

Article 53. Reporting regime

The Securities Exchange shall have to report its business operation activities including financial performance to the Office, as follows:

1. A quarterly report shall be submitted not later than the 30th of the following month;
2. An audited annual report shall be submitted within 7 days after the completion of an external auditing performance.

Article 54. Internal audit

The Securities Exchange shall annually be audited by an independent external auditing company which is in the list of external auditing companies as approved by the Office. An audit report shall be certified in written by an auditing organization and completed within the first quarter of the following financial year.

Section 2

Securities Depository Center

Article 55. Securities depository center

The Securities Depository Center shall be a part of the Securities Exchange and perform the following duties:

1. To register and deposit securities;

2. To transfer securities ownership to the holders;
3. To make clearing and settlement relating to securities transactions;
4. To prepare and issue the list of securities holders upon the issuer's request;
5. To provide other services relating to the distribution of dividends and the request of organizing the shareholders' meeting upon the request of public companies and issuers;
6. Other duties as approved by the Office.

Article 56. Payment supporting fund

The payment supporting fund shall be a part of the Securities Exchange in order to prevent any potential payment risks regarding cash settlement. Each trading member shall contribute to the fund accordingly to the rate of contribution as stipulated in applicable regulations of the Securities Exchange.

Article 57. Cash settlement

Each trading member shall appoint any commercial bank as their correspondent bank in order to manage cash accounts and perform the payments of money concerning to securities transactions. The agreement on such said business partnership shall be created and approved by the Office.

The Bank of the Lao PDR shall serve as the designated settlement bank among trading members of the Securities Exchange.

Part VI

Prohibited Acts, Information Disclosure, Report Regime, Inspection and Settlement of Disputes

Article 58. Prohibited acts regarding securities transactions

Individuals and organizations shall be prohibited from undertaking the following securities-related activities:

1. The issuing company advertises the securities public offering and distribute the securities prior to having obtained an approval from the Office;
2. The securities company performs any operation activities in order to manipulate the actual securities prices, amount and characteristics, which may cause negative damages to the securities market or may take an advantage over the investors and its clients; buys or sells any unauthorized securities; and buys or holds the securities exceeding a holding proportion limit as stipulated by the Office;
3. Individuals or organizations which are not a licensed securities company undertake any securities businesses without having obtained an authorization from the Office;

4. Securities listed in the Securities Exchange are traded outside the Securities Exchange
5. Insiders use inside information to buy or sell securities for his own or for a third party; disclose and provide inside information to a third party to buy or sell securities basing on the inside information; and disclose the clients' information negatively or abusing the rights to buy and sell securities on behalf of its clients without their permission.
6. Individuals or organizations who know or possess of internal information use the information for the benefits of their securities-related activities;
7. Individuals or organizations manipulate the security prices which are not consistent with the actual market condition by undertaking securities transactions without transferring the ownership attached to those securities; or conspiring with each other to buy or sell securities to thereby create false supply of and demand for securities; or buying, selling or enticing others to continuously buy or sell securities in order to manipulate the securities prices;
8. Individuals or organizations create and disseminate false information that seriously affects the securities market and the investment transactions, prior to receiving an approval from the Office;
9. Legal persons open accounts in the name of individuals to buy or sell securities.
10. Institutions are named "Securities Company" or "Securities Exchange" or "similar words" without an authorization from the Office;
11. Individuals or organizations takes an advantage of a securities business license in order for money-laundering purposes;
12. Individuals or organizations open accounts in the name of another individuals or organizations to buy or sell securities;
13. Individuals or organizations perform any obstacles against inspection and auditing activities undertaken by the Office, the Internal Audit Committee and an external auditor, by refusing and delaying to provide information and cooperative supports;
14. An external auditor has direct interests or hold more than 0.1% of total share amount in a public company at the time that it performs an auditing service for the public company;
15. The securities company have direct interests or hold more than 0.1% of total share amount in an issuer at the time that it performs an underwriting service for the issuer;
16. The securities company uses the clients' deposited money or securities or both on behalf of the clients' without their permission;
17. Individuals or organizations fails to provide and publish information on securities transactions in a full and timely manner, which may cause damage to investors' interests;
18. Other prohibited acts as stipulated by the Office.

Article 59. Information disclosure of an issuing company

An issuer is required to conduct the disclosure of information via any means of the mass media or via an information communication system of the Office. The publication of information shall include:

1. Quarterly financial statement which is audited by an internal auditor;
2. An annual financial report which is audited by an certified external auditing organization;
3. An annual business report;
4. Other information as stipulated by the Office.

In addition to the disclosure of information to the Office, any listed companies are required to disclose information in accordance with regulations as stipulated by the Securities Exchange.

Article 60. Reporting regime

The issuers, securities companies and the Securities Exchange are required to report to the Office accordingly to regulations as prescribed by the Office.

Article 61. Inspection

The Office shall inspect the issuers, securities companies and the Securities Exchange on the basis of scheduled inspections and ad hoc inspections whenever necessary.

The issuers, securities companies and the Securities Exchange shall facilitate and provide information to the Office at the time of performing its inspection activities.

Article 62. Rights and duties of Inspectors of the Office

Inspectors of the Office shall have the following rights and duties:

1. To inspect the implementation of rules and regulations regarding securities and securities market in order to ensure a stable, transparent, fair and efficient market;
2. To examine the accounts, books, documents, electronic data, and other records concerning securities-related transactions;
3. To require administrators and employees to provide all information on any matter relating their administration and operations;
4. To enter any premises where a violation of applicable law and regulations there is suspected to have been committed and seize documents or other property connected with the suspected commission of the violation;
5. To meet with boards of directors and administrators of the said organizations in order to make assessment on the implementation of this Decree and other relevant regulations related to securities and securities market;

6. To implement any measures and sanctions against violators of applicable regulations related to securities and securities market;
7. To exercise other rights and perform other duties as stipulated by the Office.

Article 63. External Auditor

Each issuer, securities company and Securities Exchange shall be audited by an independent external auditing organization. Such an auditing organization shall be certified and authorized by the Office.

An audit on the issuer, securities company and Securities Exchange shall be performed and completed within the first quarter of the following financial year and an audit report shall be published to the public.

Article 64. Settlement of disputes

If any dispute arises from operations in securities and securities market, such dispute shall be settled amicably between the Parties hereto by mutual discussions. In case no settlement can be reached by consultation, the parties may submit the case of such a raising dispute to the Office for mediation.

In case reconciliation fails, the parties may bring the dispute to an arbitrator or to the court for settlement in accordance with applicable laws.

Regarding the request to the Office to act as a mediator to settle the arising dispute, the parties shall bear the costs of the arbitration as stipulated by the Office.

Part VII Awards and Sanctions

Article 65. Awards toward persons who have performed well

Person or organization who has outstanding performance in operation, development and management activities in the field of securities and securities market, and prevent infringement of this Decree and relevant regulations regarding securities and securities market will be rewarded and receive other policy by applicable regulations.

Article 66. Sanctions against violators

Person or organization who violates the provisions in this Decree shall be subject to the following sanctions and penalties; namely, being warned in writing, being fined, suspending or revoking a securities business license, revoking the Securities Practitioner License, and being subject to legal proceeding upon the character and scope of their violation.

Part VIII

Final Provisions

Article 67. Implementation

The Commission and Office shall implement this Decree.

Ministries, ministerial equivalents, and the related sectors of economy shall disseminate and strictly implement this decree.

Article 68. Effectiveness

This decree shall enter into force after 30 days as from the date of signature.

Any regulation, provisions that conflict with this decree shall be repealed.

FOR AND ON BEHALF OF THE GOVERNMENT
PRIME MINISTER

(Signature and seal)

Bouasone Bouphavanh