



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

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Lao Securities Commission

No. 10/LSC

Vientiane Capital, dated 10 June 2021

**Decision
on Approval of Custodian Banks (Amended)**

- Pursuant to the Law on Securities No. 79/NA, dated 03 December 2019;
- Pursuant to the Decree on Organization and Operation of Lao Securities Commission No.291/PM, dated 05 April 2021;
- Pursuant to the Proposal of Lao Securities Commission Office No.146/LSCO, dated 27 May 2021.

The Chairman of the Lao Securities Commission decides that:

**Chapter I
General Provisions**

Article 1 Objectives

This Decision prescribes the principles and measures related to the service provision of custodian banks in order to facilitate and serve as a reference for custodian bank services with the aim of ensuring the efficiency, transparency, and fairness of such services.

¹ Although every effort has been made to convey the meaning and effect of each provision of the original Lao language version as accurately as possible, this English translation does not carry any legal authority. Only the original Lao text has legal force; this English translation is strictly for reference.

Article 2 (Amended) Approval of Custodian Banks

Approval of custodian banks is the permission for local commercial banks in Lao PDR established under laws and relevant regulations, or foreign commercial banks located in the Lao PDR to perform custodian bank services in the Lao PDR within the scope of providing custodian services as prescribed in Article 8 of this Decision.

Article 3 Scope of Application

This Decision shall apply to custodian banks, and other parties relevant to custodian services provision in the Lao PDR.

Chapter II

Approval of Custodian Banks

Article 4 (Amended) Approval Conditions for Custodian Banks

A domestic or foreign commercial bank wishing to perform as a custodian bank shall satisfy all of the conditions as prescribed in Article 86 of the Law on Securities (amended) and comply with the additional conditions as follows:

1. Having IT systems in place for connecting to relevant parties and ensuring high security;
2. Having no previous serious violation of laws and regulations and prohibited acts in finance-banking sectors;
3. Executives and employees must be qualified with at least a bachelor's degree in the finance-banking field, accounting, or in related fields and with at least 3 years of work experience in the field, never been sentenced by the court on criminal charges such as fraud, asset appropriation, counterfeiting documents, receiving or giving bribery, corruption or money laundering, and never been criminalized in securities business or financial misconduct.
4. Other conditions as stipulated by the Lao Securities Commission Office.

Article 5 (Amended) Application Documentation for Custodian Banks

A domestic or foreign commercial bank wishing to act as a custodian bank shall provide documents as prescribed in Article 87 of the Law on Securities (Amended) and provide the additional documents as follows:

1. The last 2 years of financial statement report that audited by the external audit firm and the last 1 year annual business plan counting from submission date to the Lao Securities Commission Office, except for the new launched commercial bank;
2. Business plan for asset custody of investors or the representative for right and benefit prevention of investors;
3. Documentation report for the readiness of IT system, internal control, operations and human resources related to asset custody of investors or the representative for right and benefit prevention of investors;
4. (Draft) contract with the depository center, in case the custodian bank also provide the service on asset custody and management of collective investment funds or mutual fund right and benefit prevention must have the contract with fund management company or in case providing as asset custody and management of private fund must have the contract with the securities firm (if have);
5. Short biography, education, experience, and training certificates, and a document evidencing criminal records (not older than 3 months) of executives and employees related to the division or unit of custody and investors asset management, and representative for investor beneficial protection;
6. Other documents as prescribed by the Lao Securities Commission Office.

Article 6 (Amended) Consideration for Approval of Custodian Banks

The Lao Securities Commission Office shall consider custodian bank approval within 30 days from the date of the receipt of complete and correct application documents. In case of rejection, the Lao Securities Commission shall officially respond with reasons for the rejection.

During the consideration process, if deemed necessary, the Lao Securities Commission Office may request additional documents and information or invite relevant persons to clarify or provide information.

After the receipt of approval from the Lao Securities Commission Office, a custodian bank shall announce to the public through mass media within 5 business days from the date of obtaining the license.

Chapter III

Scope of Business Operations, Term and Renewal of Custodian Bank License

Article 7 Scop of Business Operation of Custodian Banks

A custodian bank can provide partially or fully of the following services:

1. Provide custody and asset management services to investors or collective investment funds (Custody services);
2. Act as a representative in protecting the rights and benefits of investors in collective investment funds (Fund supervisory services).

Custodian banks that received a license from the Lao Securities Commission Office as a representative in protecting the rights and benefits of investors in collective investment funds can also provide custody and asset management services to investors or collective investment funds.

Article 8 Asset Custody and Management Services for Investors

Asset custody and management services for investors and collective investment funds is a service for the custody and management of the money, securities, and other assets of investors in a complete and safe manner by segregating the assets of each investor or each collective investment fund by calculating and checking on a regular basis.

Article 9 Representative in Protecting the Rights and Benefits of Investors

Representative in protecting the rights and benefits of investors is a service to protect the rights and benefits of the unitholders by inspecting and monitoring the fund manager's activities of collective investment funds.

Article 10 (New) Term of Approval of Custodian Banks

A custodian bank license is valid for 3 years from the date of approval.

Article 11 (New) Renewal of the Custodian Bank License

Custodian banks that wish to renew a license in order to continue providing services as asset custody and management, and being a representative in protecting the rights and benefits of investors shall meet the conditions as prescribed in Article 4 and submit

application documents as prescribed in Article 5 of this Decision to the Lao Securities Commission for consideration at least 45 days before the expiration date.

Chapter IV

Rights and Duties of Custodian Banks

Article 12 (Amended) Rights and Duties of Custodian Banks that Provide Asset Custody and Management Services for Investors

Custodian banks that provide asset custody and management services for investors have rights and duties as prescribed in Article 89 of the Law on Securities (Amended). In addition, custodian banks have additional rights and duties as follows:

1. To open and supervise bank accounts and securities accounts of investors or collective investment funds;
2. To provide money transfer service in and out of the Lao PDR to foreign investors who are their customers;
3. To provide foreign exchange service for securities trading;
4. Act as a representative of its clients for clearing-settlement related to securities trading;
5. To receive and transfer dividends, interests, and other benefits derived from assets or securities of investors to be secure and safe;
6. To provide monthly performance reports to customers or investors or as requested by customers or investors from time to time;
7. To conduct an accurate record, count, or inspect the assets of investors on a regular basis, as well as to compare the amounts of assets of investors as in securities accounts at the Securities Depository Center with the amounts of assets of investors under its management;
8. To gather information on investors, sources of income, financial status, and beneficial owner before entering into a contract or agreement on services provided;
9. To enter into a custody contract with its investors or collective investment funds (in case of providing custody service for collective investment fund);

10. Transfer the asset of the investor under its management to another custodian bank as requested by the investors or other relevant agencies.
11. Coordinate with relevant parties in transferring securities from one individual to another individual according to relevant laws and regulations;
12. Build the capacity of its personnel to have skills related to asset custody service;
13. Act as a representative of investors to attend and vote at shareholders' meetings as assigned by the customers;
14. Act as a representative of investors to request a securities trading code for foreign investors in the Lao PDR;
15. Inform and provide related and useful information to investors as prescribed in Article 7 of this Decision;
16. Provide information on investors' assets and other information as requested by the Lao Securities Commission Office;
17. Conduct activities with ethics, honesty, fairness, equality, and protection of investors' interests;
18. Build a mechanism to prevent conflicts of interest;
19. Act as a representative in protecting the rights and benefits that investor should receive;
20. Request or provide information and documents from/to investors on Anti-Money Laundering and Combatting the Financing of Terrorism;
21. Calculate the net asset value of the collective investment scheme on daily basis by comparing it to the Fund Management Company;
22. Exercise other rights and duties as defined in contracts with investors.

Article 13 (Amended) Rights and Duties of Custodian Banks that Provide Services as a Representative in Protecting the Rights and Benefits of Investors.

Custodian banks that provide services as a representative in protecting the right and benefits of investors have rights and duties as prescribed in Article 12 of this Decision. In addition, custodian banks have additional rights and duties as follows:

1. To ensure the clearing and settlement, receiving, delivery, change and transfer of assets of the collective investment fund as requested by Fund Management Company;

2. To examine, certify, and monitor the accuracy of the Fund Management Company's calculation of asset value, net asset value, fund unit value, and buying and selling price of fund units to announce to the public.
3. To supervise the increase or decrease of fund units in collective investment funds;
4. To review, examine, and evaluate fund managers' performance in carrying out their rights and duties as prescribed by regulation or contract of collective investment funds;
5. Act as a representative of investors to request a securities trading code for foreign investors in the Lao PDR;
6. To report work performance as a representative in protecting the rights and benefits of investors to the Fund Management Company.
7. Act as a representative of investors in suing or complaining to the Fund Management Company for non-performance of rights and duties under contracts or relevant legislation that cause detriment to fund unit holders.
8. Exercise other rights and duties as defined in contracts with investors.

Chapter V

Change, Suspension, Revocation, and Clearing-Settlement

Article 14 Change in the Custodian Bank's Business Operations

A custodian bank is required for authorization from the Lao Securities Commission Office in case of fully or partially changing the business operation scope as follows:

1. Change in scope of business operations;
2. Merge or separate business operations;
3. Suspension of business operation on asset custody and management services provided to investors or collective investment funds, except for the case of suspension due to violation of applicable laws and regulations.

The Lao Securities Commission Office shall consider such application documents for changes in scope of business operations within 30 days from the date of the receipt of complete and accurate application documents.

Custodian bank shall report to the Lao Securities Commission Office within 5 days from the date of changes in the increase or decrease of registered capital, the company's name

and location, shareholder structure of at least five percent (5%), the board of directors, and chief and deputy chief executive directors.

Article 15 Suspension of the Custodian Bank License

The Lao Securities Commission Office have right to temporarily suspend the custodian bank license fully or partially or according to an order from relevant authorities.

After suspension, the custodial bank shall promptly complete the resolution within the time frame specified by the Lao Securities Commission Office.

The suspended custodian bank will be unable to provide asset custody and management services, as well as act as a representative in protecting the rights and benefits of majority investors.

Article 16 Revocation of the Custodian Bank License

A custodian bank shall be revoked an approval certificate in any or all of the following cases:

1. Upon a request from a custodian bank according to the resolution of a shareholders' meeting;
2. Obtaining a custodian bank license based on the provision of false information causing material damage to the stability of a custodian bank and capital market system according to the discretion of the Lao Securities Commission Office;
3. Failure to rectify issues that are the causes of the revocation of the custodian bank license as prescribed in this Decision within the time period determined by the Lao Securities Commission Office;
4. Violating relevant laws and regulations that seriously affect the capital market system based on the discretion of the Lao Securities Commission Office;
5. A commercial bank business license has been revoked by the Bank of the Lao PDR;
6. There is a complete decision or judgment by the court;
7. Other cases as prescribed by the Lao Securities Commission Office.

After the revocation of a custodian bank approval certificate, the Lao Securities Commission Office shall announce to the public through mass media for five consecutive days from the date of revocation.

Article 17 Clearing-Settlement of the Custodian Bank

A custodian bank whose license has been revoked as prescribed in this Decision shall conduct the clearing and settlement in accordance with relevant laws and regulations.

A custodian bank whose license has been revoked shall immediately transfer a name lists of its customers, investor asset accounts, and collective investment fund accounts to another custodian bank to continue providing the services to investors or fund management companies as determined by the Lao Securities Commission Office.

Chapter VI

Reporting and Disclosure, Fees and Prohibition

Article 18 (New) Reporting and Disclosure

A custodian bank shall report to the Lao Securities Commission Office and disclose information through its website and other mass media as appropriate as follows:

1. Report on business operations for quarter 1 and quarter 3 within 15 days from the end of the quarter;
2. Report on business operations for the first six months and annually within 60 days from the end of the accounting period;
3. Disclose to the unit holders the daily calculation of the net asset value of the collective investment fund;
4. Other information and documents as requested by the Lao Securities Commission Office.

Article 19 (Amended) Service Fees

A custodian bank shall be subject to pay service fees to the Lao Securities Commission Office as follows:

1. An application fee of 5.000.000 LAK per time and to be paid by the date of submission to the Lao Securities Commission Office;
2. A fee for the custodian bank license of 15,000.000 LAK per time and to be paid by the date of obtaining a license;
3. A custodian bank license renewal fee of 10.000.000 LAK per time and to be paid by the date of obtaining a license;

4. An annual supervision fee of 5.000.000 LAK per time and to be paid by quarter 1 of the following year, except for a custodian bank that obtains a license during the second half of the licensing year.

A custodian bank that does not provide services to customers within a year is exempt from paying annual supervision fees.

Article 20 (Amended) Prohibition

Custodian banks and relevant parties are prohibited from conducting any of the actions as prescribed in Article 176 of the Law on Securities, and in addition, there are the following prohibited acts:

1. Operating as a custodian bank without authorization from the Lao Securities Commission Office;
2. Transfer or giving the custodian bank license to other domestic and foreign commercial banks or other parties operating on their behalf;
3. Failure to report to the Lao Securities Commission Office as prescribed in Article 14 paragraph 3 and Article 18 of this Decision;
4. Providing custodian bank services to customers while a custodian bank license has been suspended or revoked;
5. Transferring, utilizing, or managing customer assets without their permission;
6. Providing a custody service to investors or collective investment funds without separating their assets from those of each customer or each collective investment fund;
7. Other acts that violate applicable laws and regulations;
8. Other prohibitions as prescribed by the Lao Securities Commission Office.

Chapter VII

Policy on Persons with Achievement and Sanctions against Violators

Article 21 Policy on Persons with Achievement

Custodian Banks and other parties involved in providing custodian bank services with outstanding performance in the implementation of this Decision and custodian bank operating framework shall receive rewards or other bonuses as prescribed by specific regulations.

Article 22 s(Amended) Sanctions against Violators

Custodian banks and other parties involved in providing custodian bank services who are in violation of this Decision shall be educated, or warned, fined, and other additional sanctions as follows:

Educational or warning measures will be implemented in the event of behavior or violations as follows:

1. There is the first and light violation, such as submitting for renewal of the license for providing custody and asset management services and acting as a representative in protecting the rights and benefits of investors less than 45 days before the license expires, does not provide information and documents as requested by the Lao Securities Commission Office or relevant parties, and other violations cause damage of less than 1.000.000 LAK;
2. Violation without claim or complaint filed of victims, which can be negotiated between the parties;
3. Actions that are inconsistent with this decision, except for the prohibitions prescribed in Article 20 of this Decision;
4. Other actions as prescribed by the Lao Securities Commission Office.

The following actions and violations are subject to fines:

1. There is the first violation cause material damage of more than 1.000.000 LAK or it is the second infringement after being educated, or warned shall be fined from 5.000.000 LAK to 10.000.000 LAK;
2. Operating as a custodian bank without license from the Lao Securities Commission Office shall be fined three times the income earned from such services. If there is no income or income less than 50.000.000 LAK, it shall be fined from 30.000.000 LAK to 50.000.000 LAK with the order to cease the custodian service;
3. Transferring or giving the custodian bank license to another person or juristic person both domestic and foreign to operate on their behalf shall be fined from 30.000.000 LAK to 50.000.000 LAK;
4. Failure to report the Lao Securities Commission Office as prescribed in Article 14 paragraph 3 and Article 18 of this Decision shall be fined from 15.000.000 LAK to 30.000.000 LAK/time;
5. Providing services to customers while a custodian bank license is suspended shall be fined from 5.000.000 LAK to 10.000.000 LAK;

6. Transferring or utilizing an investor's asset or collective investment fund for their own or another person's benefit shall be fined from 30.000.000 LAK to 50.000.000 LAK;
7. Providing a custody service to investors or collective investment funds without separating their assets from those of each customer or collective investment fund shall be fined from 30.000.000 LAK to 50.000.000 LAK.

Additional sanctions for custodian banks are as follows:

1. Resolve its violations in accordance with relevant laws and regulations;
2. Suspend the custodian bank service operations
3. Revoke the custodian bank license;
4. Disclose violations of the prohibitions, as prescribed in this Decision, on the website of the Lao Securities Commission Office and the securities exchange after the Lao Securities Commission has issued a Decision on the fines.

Chapter VIII

Final Provisions

Article 23 Implementation

The Lao Securities Commission Office, custodian banks, and relevant parties in providing custodian services shall acknowledge and strictly implement this Decision within their scope of rights and duties.

Article 24 (Amended) Effectiveness

This Decision shall be effective from the date of signature.

This Decision replaced the Decision on Custodian Bank No. 016/LSC, dated 28 June 2019.

Vice Chairman of the Lao Securities Commission
(Seal and Signature)

Sonexay SITHPHAXAY