



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

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Lao Securities Commission

Ref. No. 0008/LSC  
Vientiane capital, dated: 01/04/2016

**Regulation  
On Net Capital Ratio of Securities Companies (Amended Version)**

- Pursuant to the Law on Securities, Ref. No. 21/NA, dated 10 December 2012;
- Pursuant to the Decree on Organization and Operations of the Lao Securities Commission, Ref. No. 188/PM, dated 24 July 2013;
- Pursuant to the Proposal of the Lao Securities Commission Office, Ref. No. 0114/LSCO, dated 21 March 2016.

**The Chairman of the Lao Securities Commission hereby  
issues the following Regulation:**

**Section 1  
General Provisions**

**Article 1 Objectives**

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<sup>1</sup>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.

This Regulation sets forth the principles, regulations, measures and formula governing the maintenance of net capital ratio of securities companies in order to prevent and manage financial risks to ensure stability in operations of securities companies.

**Article 2 Explanation of Terms**

Terms used in this Regulation have the following meaning:

1. “**Net Capital Ratio**” means a ratio which illustrates the capacity in settlement of current liabilities arising from business operations of a securities company;
2. “**Total Asset**” means the sum of all assets of a securities company shown on the asset side of the balance sheet excluding clients’ assets;
3. “**Risk Value of Current Assets**” means the sum of each item of current assets shown in the account, all of which is multiplied by risk weighted for each type of current assets;
4. “**Non-Current Assets**” means assets that are not likely to turn to unrestricted cash within one year comprising: fixed assets, long-term investment, long-term receivables, and other assets that are not likely to be traded within one year;
5. “**Total Liability**” means the sum of a securities company’s liabilities shown on the liability side of the balance sheet, excluding liabilities of clients;
6. “**Non-Current Liabilities**” means long-term loans, intragroup long-term payables and other long-term liabilities;
7. “**Off Balance Sheet Current Liabilities**” means items that impact a securities company’s level of liability to be paid within one year and the securities company exclude them from the balance sheet.

**Article 3 Scope of Application**

This Regulation is applicable to securities companies established and operated in accordance with relevant laws and regulations of the Lao PDR, except for securities companies which operate as financial advisors.

**Section 2  
Net Capital Ratio**

**Article 4 Net Capital Ratio Level**

A securities company shall maintain Net Capital Ratio at a level of greater than or equal to twelve percent.

**Article 5 Net Capital Ratio Calculation**

Net Capital Ratio is the ratio resulting from the calculation according to the following formula:

$$\text{Net Capital Ratio} = \frac{\text{Total Asset} - \text{Non-Current Assets} - \text{Risk Value of Current Assets} - \text{Total Liability}}{\text{Total Asset}}$$

## **Total Liability - Non-Current Liabilities + Off Balance Sheet Current Liabilities**

The result of the calculation shows the level of capacity in settlement of current liabilities of securities companies.

For details on Net Capital Ratio calculation, a securities company shall comply with specific instructions as defined by the Lao Securities Commission Office from time to time.

### **Article 6 Obligations of Securities Companies**

A Securities company shall have the following obligations:

1. To calculate and report on the company's Net Capital Ratio correctly and in time as prescribed in this Regulation and other relevant regulations;
2. To appoint any person to be in charge of calculating and reporting on Net Capital Ratio and shall notify that person's name to the Lao Securities Commission Office in writing.

### **Article 7 Reporting**

A securities company shall report on Net Capital Ratio to the Lao Securities Commission Office as follows:

#### **1. Periodic Reporting**

1.1 Net Capital Ratio for each working day is to be reported electronically within one working day in accordance with the format as defined by the Lao Securities Commission Office;

1.2 Net Capital Ratio of the last working day of each month is to be reported in hard copy within fifteen days of the following month in accordance with the format as defined by the Lao Securities Commission Office.

#### **2. Urgent Reporting**

2.1 Net Capital Ratio is to be reported in hard copy together with reasons within two working days in cases where Net Capital Ratio drops below twenty percent. The reporting shall be continued every day until Net Capital Ratio is improved to stay at more than twenty percent for at least five consecutive working days;

2.2 Net Capital Ratio is to be reported in hard copy together with reasons within one working day in cases where Net Capital Ratio drops below twelve percent. The reporting shall be continued every day until Net Capital Ratio is improved to stay at more than twenty percent for at least five consecutive working days;

2.3 Plan to address the problem relating to Net Capital Ratio is to be reported within ten working days in case where there is any occurrence of the event as defined in Paragraph 2.1 or 2.2 of this Article. Also actions are to be taken according to the plan and to be completed within ninety days from the day Net Capital Ratio has dropped below twenty percent, except for the case

where Net Capital Ratio is improved above twenty percent within ten working days from the day Net Capital Ratio has dropped below twenty percent.

In cases where there is off balance sheet item to include or not include in the calculation of Net Capital Ratio, a securities company shall submit a report together with reasons and attach a hard copy of relevant documents to such item to the Lao Securities Commission Office.

**Article 8      Maintaining Documents**

A securities company shall keep complete documents relating to reports and Net Capital Ratio calculation at least for ten years.

**Article 9      Prohibition**

A securities company is prohibited from either directly or indirectly conducting any of the following actions:

1. Omit daily Net Capital Ratio calculation;
2. Calculate daily Net Capital Ratio wrongly;
3. Submit a report on Net Capital Ratio lately;
4. Submit a late plan to address a problem on Net Capital Ratio;
5. Address a problem on Net Capital Ratio lately;
6. Address a problem on Net Capital Ratio not in line with the set plan or regulations.

**Section 3**

**Awards for good Performers and Measures against Violators**

**Article 10      Awards for good Performers**

A securities company which is outstanding in implementing this Regulation shall be rewarded or receive other policies following specific regulations.

**Article 11      Measures against Violators**

A securities company which violates this Regulation, resulting in damages to the State, society, persons, juristic persons or organisations shall be educated, fined and face additional measures in accordance with conditions of offences and levels of violation.

**Article 12      Education Measures**

A securities company shall be educated according to each event as follows:

1. Net Capital Ratio is in between twelve and twenty percent;
2. Omit the calculation of daily Net Capital Ratio for one to two working days;

3. Calculate Net Capital Ratio wrongly for one working day;
4. Report on Net Capital Ratio lately for one to two working days;
5. Submit the plan to solve a problem relating to Net Capital Ratio as defined in Paragraph 7, Clause 2.3 of this Regulation lately for one to two working days.

**Article 13     Fine Measures**

A securities company which violates this Regulation shall be fined in accordance with each event as follows:

1. Omit to calculate daily Net Capital Ratio for three working days and more, a fine of ten million Kip per day shall apply;
2. Calculate Net Capital Ratio wrongly for two working days and more, a fine of five million Kip per day shall apply;
3. Report on Net Capital Ratio lately for three to five working days, a fine of three million Kip per day shall apply;
4. Report on Net Capital Ratio lately for six to ten working days, a fine of five million Kip per day shall apply;
5. Report on Net Capital Ratio lately for more than ten working days shall refer to omitting the calculation of Net Capital Ratio, a fine of ten million Kip shall apply;
6. Submit the plan to solve a problem relating to Net Capital Ratio lately for three to five working days, a fine of five million Kip per day shall apply;
7. Submit the plan to solve a problem relating to Net Capital Ratio lately for six to ten working days, a fine of ten million Kip per day shall apply;
8. Submit the plan to solve a problem relating to Net Capital Ratio lately for more than ten working days shall refer to as omitting the submission of the plan to address a problem on Net Capital Ratio, a fine of thirty million Kip shall apply;
9. Solve a problem relating to Net Capital Ratio lately that is not comply with the set timeframe defined by the Lao Securities Commission, a fine of fifteen million Kip per day shall apply;
10. Net Capital Ratio drops below twelve percent, a fine of five million Kip per day shall apply.

**Article 14     Additional Measures**

A securities company shall face additional measures according to each event as follows:

1. Where Net Capital Ratio of a securities company drops below twenty percent, such a company shall not be permitted to extend branches, service units and representative offices
2. Where Net Capital Ratio of a securities company drops below twelve percent for six consecutive months or Net Capital Ratio of a securities company drops below or equal to zero percent or a securities company is unable to solve a problem relating to Net Capital Ratio in accordance with the plan, securities business operations of such a company shall be limited or suspended partly or wholly.

## **Section 4 Final Provisions**

**Article 15    Implementation**

The Lao Securities Commission Office, securities companies and other concerned parties shall acknowledge and strictly implement this Regulation within its scope of rights and duties.

**Article 16    Effectiveness**

This Regulation shall replace the Regulation on Net Capital Ratio of Securities Companies, Ref. No. 003/LSC, dated 18 February 2014.

This Regulation shall enter into force from the date of signing.

**Chairman of the Lao Securities Commission**

**(Signed and Sealed)**

**Dr. Bounphone Boutanavong**