



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

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Lao Securities Commission

No. 010/LSC

Vientiane Capital, 7 May 2014

**Regulation
on Custodian Banks**

- Pursuant to the Law on Securities No. 21/NA, dated 10 December 2012;
- Pursuant to the Decree on Organization and Operation of Lao Securities Commission No.188/PM, dated 24 July 2013;
- Pursuant to Decision on Organization and Operation of Lao Securities Commission Office No.013/LSC, dated 17 December 2013;
- Pursuant to the Proposal of Lao Securities Commission Office No.501/LSCO, dated 24 April 2014.

The Chairman of Lao Securities Commission regulates that:

**Chapter I
General Provisions**

Article 1 Objectives

This Regulation prescribes the principles, rules and measures related to operation of custodian banks in order to maintain order, aimed at facilitating investors and promoting operation of securities activities to grow effectively, transparently and fairly.

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 Scope of Applications

This Regulation shall apply to custodian banks, persons, juristic persons, organization and other relevant parties established and operated in the Lao PDR.

Chapter II

Application for Custodian Bank

Article 3 Application for Custodian Bank

A domestic or foreign commercial bank wishing to act as a Custodian Bank shall be granted with an approval from Lao Securities Commission Office.

For a foreign commercial bank wishing to act as a Custodian Bank in Lao PDR can provide service in form of joint venture with a commercial bank incorporated in Lao PDR or through IT system connecting with relevant parties within Lao PDR as approved by Lao Securities Commission Office.

Article 4 Conditions for Application for Custodian Bank

A domestic or foreign commercial bank wishing to act as a Custodian Bank shall satisfy all of the conditions as prescribed in Article 79 of the Law on Securities except for Item 3, and shall satisfy the additional conditions as follows:

1. having IT system in place for connecting to relevant parties and that can ensure high security;
2. entering into contracts with Lao Securities Exchange (Depository Center) and securities companies;
3. having no previous serious violation of laws and regulations and prohibited acts in finance-banking sectors;
4. employees must be qualified with at least bachelor degree in finance-banking field or in related fields and with at least 3 (three) years work experience in the field, and never been sentenced by court on criminal charge such as frauds, asset appropriation, counterfeiting documents, receiving or giving bribery, corruption or money laundering, and never been criminalized in securities business.

For a foreign commercial bank wishing to operate as a custodian bank in Lao PDR, in addition to conditions stipulated above, there are additional conditions to be met as follows:

- 1) have entered into a joint venture contract with a commercial bank which is incorporated in Lao PDR to act as a correspondent bank for settlement of cash or securities;
- 2) must be from countries, which Lao Securities Commission has relations and cooperation with by signing MOUs.

Article 5 Application Documentation for Custodian Bank

For a foreign commercial bank wishing to operate as a Custodian Bank in Lao PDR shall provide documents as prescribed in Article 80 of the Law on Securities and the following additional documents:

1. a proposal regarding the operation as a Custodian Bank;
2. organizational structure of Asset-Custody Division and description of roles, rights and duties of this division;
3. description of roles, rights and duties of sections concerned within the Asset-Custody Division;
4. regulations and manuals relating to Asset-Custody Division;
5. short biography, education, experience and training certificates and a document evidencing criminal records not older than three months of management and related staffs of Asset-Custody Division;
6. other documents as stipulated by Lao Securities Commission Office.

Application documents for custodian bank as prescribed in Article 5 of this Regulation must be submitted to Lao Securities Commission Office for considering and granting a Custodian Bank License.

Article 6 Consideration of Application for Custodian Bank

After receiving complete and accurate application and supporting documents for a Custodian Bank as prescribed in Article 5 of this Regulation, Lao Securities Commission Office shall consider and grant a Custodian Bank License within forty-five days from the date of receipt of an application and supporting documents. In case of rejection, Lao Securities Commission Office shall provide a response in writing together with reasons for rejection to the applicant.

Article 7 Public Announcement

After receiving a Custodian Bank License from Lao Securities Commission Office, the Custodian Bank shall publicize the approval through mass media at least for 5 consecutive working days from the date of receiving the Custodian Bank License.

Chapter III Operation of Custodian Bank

Article 8 Operation of Custodian Bank

A Custodian Bank can operate businesses as prescribed in Article 82 of the Law on Securities except for Item 7.

Article 9 Rights and Duties of Custodian Bank

A Custodian Bank, in addition to rights and duties as prescribed in Article 83 of the Law on Securities, shall subject to fulfill additional rights and duties as follows:

1. segregate its own assets from those of clients, and segregate assets for each clients;
2. record and compare amounts of assets of clients as in securities accounts at Securities Depository Center with the amounts of assets of clients under its management;
3. conduct the count or inspection of assets (cash and securities) of clients on a regular basis;
4. safeguard information, assets and deliver safely information of clients, and ensure delivery of securities in form of physical certificates;
5. safeguard with safety all documents related to clients' transactions;
6. settle in cash or securities per orders of clients;
7. transfer securities accounts and cash accounts of clients under its management to other Custodian Bank as requested by the clients;
8. coordinate with relevant parties in transferring of securities from one individual to another individual according to relevant laws and regulations;
9. build capacity of its personnel to have skills related asset custody service;

10. act as a representative of its clients to attend and vote at shareholders' meeting as assigned by the clients;
11. inform and provide related and useful information to clients such as:
 - 1) breakdown in trading system, political instability and occurrence of natural disasters or in case of any force majeure;
 - 2) change in policy or laws and regulations affecting securities activities;
 - 3) change or improvement of clearing-settlement system;
 - 4) cease or suspension of services related to operations of the Custodian Bank.
12. enter into contracts on Asset Custody with its clients;
13. inform clients timely on results of clearing-settlement of securities transaction after end of securities trading;
14. provide information to clients as agreed upon in contracts such as information on securities trading, bank account transactions, balances of securities and cash in the accounts;
15. maintain the confidentiality of clients' information;
16. conduct activities with ethic, honesty, fairness, equality and protection of clients' interests;
17. provide information on clients' assets and other information as requested by Lao Securities Commission Office;
18. exercise other rights and duties as defined in contracts with clients.

Article 10 Prohibited Acts

Persons, juristic persons, organizations and relevant parties are prohibited from conducting any of the action as prescribed in Articles 135 and 139 of the Law on Securities, and in addition there are following prohibited acts:

1. operating as a Custodian Bank without approval from Lao Securities Commission Office;
2. transfer or giving the Custodian Bank License to other domestic or foreign commercial bank to operate on their behalf;
3. transferring, utilization of or managing assets of clients without their permission;
4. not exercise its duties as stated in contracts with clients.

Chapter IV

Obligations and Fees

Article 11 Obligations

Custodian Banks must cooperate with Lao Securities Commission Office in complying with reporting, inspection, disclosure and maintaining of information regulations of Lao Securities Commission Office.

Article 12 Fees

A Custodian Bank shall subject to pay fees to Lao Securities Commission Office as follows:

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| 1. An application fees | 5,000,000 Kip; |
| 2. A fee for the Custodian Bank License | 20,000,000 Kip; |
| 3. An annual supervision fees | 30,000,000 Kip. |

Chapter V

Policy on Persons with Achievement and Sanctions against Violators

Article 13 Policy on Persons with Achievement

Persons, juristic persons, organizations and relevant parties with outstanding in implementation of this Regulation shall receive rewards or other bonuses as prescribed by specific regulations.

Article 14 Sanctions against Violators

Persons, juristic persons, organizations and relevant parties who are in violation of this Regulation and other relevant laws and regulations resulting in damage to the State, the society, persons or juristic persons shall be educated, disciplined, fined as prescribed in Articles 165, 166, 167 and Article 168 of the Law on Securities except for Item 7.1, 7.2, 7.3 and 7.5.

In addition to the fine as prescribed in Item 7 of Article 168 of Law on Securities, Custodian Banks shall be subject to additional fines as follows:

1. operating as a Custodian Bank without approval from Lao Securities Commission Office shall be subject to a fine from 1.5 billion Kip to 2 billion Kip with the order to cease the custodian service;
2. transferring or giving the Custodian Bank License to other domestic or foreign commercial bank to operate on their behalf shall be subject to a fine from 1 billion Kip to 1.5 billion Kip;
3. for transferring, using or managing assets of clients without permission of clients and concerned persons - there shall be fine calculated at 10% of value to transfer, use or management.

Chapter V

Final Provisions

Article 15 Implementation

The Lao Securities Commission Office, custodian banks, persons, juristic persons, organizations and relevant parties shall acknowledge and strictly implement this Regulation within their scope of rights and duties.

Article 16 Effectiveness

This Regulation shall be effective since the date of signature. Any requirements and provisions that contradict this Regulation shall be void.

Chairman of Lao Securities Commission

[Signed and Sealed]

Somsavath Lengsavath