



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

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Lao Securities Commission  
Lao Securities Commission Office

Ref. No. 281/LSCO  
Vientiane capital, dated: 06/03/2014

**Instruction**  
**On the Implementation of Regulation on Net Capital Ratio**  
**of Securities Companies**

- 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 Office, Ref. No. 013/LSC, dated 17 December 2013;
- Pursuant to the Regulation on Net Capital Ratio of Securities Companies, Ref. No.003/LSC, dated 18 February 2014.

**The Secretary-General of the Lao Securities Commission Office**  
**hereby issues the following instruction:**

**1. Objectives**

This Instruction interprets Article 4 and 5 of the Regulation on Net Capital Ratio of Securities Companies, Ref. No. 003/LSC, dated 18 February 2014, in order to provide

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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.

reference to securities companies in calculating their Net Capital Ratio to ensure a correct, complete and uniform implementation.

## 2. Explanation of Terms

- 1) “**Risk**” means factors that may arise in the future and damage securities operations or other operations and affect the stability of a securities company;
- 2) “**Risk Weighted**” means percentage defined in the asset risk calculation table (**Table 3**) to be used in calculating risks of each type of assets both on-balance sheet and off-balance sheet;
- 3) “**Current Assets and Liabilities**” means assets and liabilities which are likely to be traded within one year.
- 4) “**Asset and Liability Components**”.  
Asset and liability components used to calculate Net Capital Ratio consist of:
  - 4.1 “**Total Asset**” is the sum of all assets shown on the asset side of the balance sheet, excluding clients’ assets;
  - 4.2 “**Non-Current Assets**” consist of the following items:
    1. Fixed assets;
    2. Long-term investment (more than one year);
    3. Long-term receivables (more than one year);
    4. Other assets which are not likely to be traded within one year.
  - 4.3 “**Current Assets**” consist of the following items:
    1. Cash;
    2. Cash in banks and financial institutions;
    3. Short-term investment;
    4. Short-term debt receivables;
    5. Other current assets which are likely to be traded within one year.
  - 4.4 “**Total Liability**” is the sum of liabilities shown on the liabilities side of the balance sheet of a securities company, excluding liabilities of clients;
  - 4.5 “**Non-Current Liabilities**” consist of the following items:
    1. Long-term loans;
    2. Intragroup long-term debt payables;
    3. Other long-term payables.
- 5) “**Risk Value of Current Assets**” is 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. Details on the calculation of Risk Value of Current Assets shall comply with Table 3 attached to this Instruction.
- 6) “**Net Capital Ratio (NCR)**” is the ratio arisen from the calculation by comparing between current assets and current liabilities. The result of the calculation illustrates the capacity in settlement of liabilities arising from business operations of a securities company.

## 3. Net Capital Ratio (NCR) Calculation

A securities company shall calculate Net Capital Ratio for each working day, taking actual values from the balance sheet on the date of reporting and following the calculation as follows:

$$\text{NCR} = \frac{\text{Total Asset} - \text{Risk Value of Current Assets} - \text{Non-Current Assets} - \text{Total Liability}}{\text{Total Liability} - \text{Non-Current Liabilities} + \text{Off Balance Sheet Current Liabilities}}$$

4. A securities company shall follow the calculation according to the formula (**Reporting Form 1**) attached to this Instruction, and shall report to the Lao Securities Commission Office as follows:

#### 4.1. Periodic Reporting

4.1.1 In cases where the result of Net Capital Ratio calculation is greater or equals to 20% ( $\geq 20\%$ ), a securities company shall continue to calculate Net Capital Ratio for each working day and report electronically (by email) to the Lao Securities Commission Office within one working day. For details on email address for reporting purposes, the Lao Securities Commission Office shall have a specific notification to securities companies, which may change from time to time;

4.1.2 A securities company shall submit the result of Net Capital Ratio calculation as prescribed in 4.1.1 above to the Lao Securities Commission Office on a monthly basis within fifteen days from the end of each month.

#### 4.2. Urgent Reporting

4.2.1 In cases where the result of Net Capital Ratio calculation is below 20% but is still higher than 12% ( $\geq 12\% - <20\%$ ), a securities company shall report within two days from the day the ratio dropped below 20%, and continue to report every day until the ratio is improved to be higher or equal to 20% ( $\geq 20\%$ ) for at least five consecutive working days from the day the ratio has reached 20% or higher ( $\geq 20\%$ ). In cases where the ratio drops below 12% ( $< 12\%$ ), a securities company shall report within one working day and continue to report every day until the ratio is improved to be higher or equal to 20% ( $\geq 20\%$ ) for at least five consecutive working days from the day the ratio has reached 20% or higher ( $\geq 20\%$ );

4.2.2 a securities company with Net Capital Ratio below 20% ( $< 20\%$ ) shall submit the plan to address the problem related Net Capital Ratio to the Lao Securities Commission Office within ten working days from the day Net Capital Ratio has dropped below 20% ( $< 20\%$ ), except for the case where a securities company is able to bring Net Capital Ratio to stay above 20% within the given period of ten working days. The actions are to be taken according to the plan and must be completed within ninety days from the day Net Capital Ratio has dropped below 20% ( $< 20\%$ ).

5. A securities company shall calculate Net Capital Ratio according to the reporting format (**Reporting Form 1**) attached to this Instruction, and submit to the Lao Securities

Commission Office according to each of the cases as stipulated in Paragraph 4 of this Instruction.

6. In reporting the Net Capital Ratio calculation, a securities company shall attach the tables for calculating components of Assets, Liabilities and Risk Value of Current Assets according to Tables 1, 2 and 3 respectively as attached to this Instruction. In cases where there are Off Balance Sheet Liabilities used in the Net Capital Ratio calculation, the documents relevant to that calculation shall also be attached to the report.

7. This Instruction shall enter into force from the date of signing.

**Secretary-General of the Lao Securities Commission Office**

**(Signed and sealed)**

**Vattana Dalaloy**