

(Unofficial Translation)



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

President

No. 027/PO  
Vientiane Capital, dated 17.01.2013

**DECREE  
of the  
PRESIDENT  
of the  
Lao People's Democratic Republic**

**On the Promulgation of the Law on Securities**

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- Pursuant to Chapter VI, Article 67, point 1 of the Constitution of the Lao People's Democratic Republic;
- Pursuant to Resolution No. 033/NA, dated 10 December 2012, of the National Assembly; and
- Pursuant to Proposal No. 02/NASC, dated 04 January 2013, of the National Assembly Standing Committee;

**The President of the Lao People's Democratic Republic  
Decrees that:**

**Article 1.** The Law on Securities is hereby promulgated.

**Article 2.** This decree is effective from the date it is signed.

President of the Lao People's Democratic Republic

*[Seal and Signature]*

Choumaly XAYASONE

(Unofficial Translation)



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

National Assembly

No. 033/NA

**RESOLUTION  
of the  
National Assembly  
of the  
Lao People's Democratic Republic**

**On the Approval of the Law on Securities**

Pursuant to Article 53, point 2 of the Constitution and Article 3, point 1 of the Law on National Assembly of the Lao People's Democratic Republic in relation to the rights and duties of the National Assembly.

After the 4<sup>th</sup> Ordinary Meeting of the National Assembly VII Legislature has studied and considered thoroughly and in details in relation to the contents of the Law on Securities in the agenda of the meeting in the afternoon of 10 December 2012;

**The Meeting resolved that:**

**Article 1.** The Law on Securities is approved by majority votes.

**Article 2.** This Resolution is effective from the date it is signed.

Vientiane Capital, dated 10 December 2012

President of the National Assembly

*[Seal and Signature]*

Pany YATHOTOU

(Unofficial Translation)

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 and that this English translation is strictly for reference.



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

National Assembly

No. 21 /NA  
Vientiane Capital, 10 December 2012

**LAW ON SECURITIES**

**Part I**

**General Provisions**

**Article 1 Objectives**

This Law prescribes the principles, rules and measures regarding the management, monitoring and inspection of operation of securities activities to ensure the efficiency, fairness, and transparency of such activities to reduce systemic risks and to encourage the public's participation to ensure the continuous and sustainable expansion of fundraising and development of securities exchange and to contribute to the national socio-economic development.

**Article 2 Securities**

Securities mean financial instruments which comprise shares, corporate bonds, public funds and other types of securities as defined by the Securities Commission or abbreviated as SC.

### Article 3 Definitions

**Terms used in this Law have the meanings as specified below:**

1. **“securities activity” means** management and operation of fundraising through issuance of securities to the public, listing of securities, securities trading, clearing and settlement of securities transaction, securities depository and custodian, securities business operation, securities investment and other services relating to securities as defined by this Law;
2. **“securities exchange” means** the center that provides services for securities trading, securities clearing and settlement and securities depository;
3. **“share” means** equity of a company whereby the shareholders hold the status as the owners of the company and are entitled to rights and benefits pursuant to their shareholding ratio;
4. **“corporate bond” means** borrowing of a company whereby the corporate bond holders hold the status as the creditors and will receive repayment of principal and interest as specified in the corporate bond certificate;
5. **“public fund units” means** units of measurement of public funds which divided in parts;
6. **“securities certificate” means** a certificate which certifies type, amount and value of securities that an investor receives after trading or transfer of securities;
7. **“issuer” means** a company that issues its securities to investors as defined by this Law;
8. **“listed company” means** a company that issues its securities to investors and listed on the securities exchange as defined by this Law;
9. **“investor” means** any person and institution, both domestic and foreign, who invest in securities trading;
10. **“institutional investor” means** an investor who is a juristic person, e.g. commercial bank, public fund, insurance company and social security fund;
11. **“fund manager” means** a person, appointed by an asset management company to manage and administer a public fund, having authority to make decisions on investments in securities or other assets pursuant to the scope of authorities assigned to it;
12. **“securities intermediary” means** a juristic person that provides securities business services which comprise securities companies, asset management companies, custodian banks, audit companies, credit rating agencies, the securities business association and other juristic persons as defined by this Law;
13. **“independent director” means** a member of the board of directors of an issuer and a listed company who does not have any conflict of interest with the company and is capable of giving opinions independently;

14. **“market manipulation” means** any act that affects price or volume of traded securities. Market manipulation can be conducted through any of the following actions:

- securities trading by oneself or together with other parties by utilizing the advantage on funding, securities holding or accessibility to information for the purpose of ongoing securities trading;
- securities trading at any time, price or method which has been agreed in advance;
- securities trading by utilizing several accounts that one manages;
- any other action which causes damage to investors and the stability of the securities exchange;

15. **“inside information” means** information relating to business operation and finance of the issuers and listed companies, preparation of issuance of securities and listing on the securities exchange, business takeover, delisting from the securities exchange and other information which has not been authorized to be officially disclosed to the public and such disclosure may affect securities price or investors’ decision;

16. **“insider trading” means** provision, utilization, receipt, transmission, disclosure or dissemination of inside information for securities trading on behalf of oneself or others for interest of oneself or others;

17. **“controlling person” means** a shareholder who has voting rights, whether directly or indirectly, with more than twenty-five percent of the total shares with voting rights of the company or a member of the board of directors and the executive committee who is involved in determining policies, management or business operation that are significant to the issuer or listed company;

18. **“related person and juristic person” means** a person, a juristic person or an organization who is a controlling person of an issuer, a listed company, an affiliated company or a group of companies, including father, mother, husband or wife, brother, sister, child, and son-in-law or daughter-in-law of such person.

#### **Article 4 Policies on Securities Activities**

The State promotes securities activities by training and recruiting personnel, forming fundamental structure, supplying equipment and facilities for management of securities activities for its efficient operation.

The State encourages and promotes persons, juristic persons and organizations, both domestic and foreign, to participate in operation and development of securities activities by advertising, disseminating, supplying information relating to securities activities and tax incentives in accordance with the laws and regulations.

The State urges and encourages companies from every sector and economic segment, which fulfil fundamental conditions, e.g. companies that utilize natural resources, have good growth and continuously generate profits, to list on the securities exchange, without conflicting with any prior policy applied to them.

**Article 5 Principles on Operation of Securities Activities**

Operation of securities activities shall be conducted pursuant to the following primary principles:

1. to protect the rights and benefits of investors;
2. to have equality, transparency and fairness;
3. to prevent and reduce financial system risks; and
4. to voluntarily participate in securities trading.

Documents and regulations in relation to securities activities shall be in Lao language.

**Article 6 Scope of Application of the Law**

This Law shall apply to persons, juristic persons and organizations, both domestic and foreign, who operate securities activities in Lao PDR and foreign countries.

**Article 7 International Co-operation**

The State promotes relation and co-operation with foreign countries, both regional and international, regarding securities activities by exchanging experience, technique and knowledge, human resource development and information exchange, compliance with treaties and international agreements to which Lao PDR is a party.

**Part II**

**Issuance of Securities and Operation of Issuer and  
Listed Company**

**Chapter 1**

**Issuance of Securities**

**Article 8 Issuance of Securities**

**Issuance of securities is the issuance of a company's securities to investors for the following purposes:**

1. capital increase or fundraising for business expansion;
2. restructuring shareholding structure;
3. distribution of stock dividend or as bonus; and
4. other purposes as prescribed by the SC.

Issuance of securities shall be approved by the SC.

## **Article 9 Types of Issuance of Securities**

### **Issuance of securities can be divided into three types as follows:**

1. public offering;
2. private placement; and
3. rights offering.

Issuance of securities through public offering is an initial offering or subsequent offerings, which are widely advertised through mass media without specifying specific types or groups of investors and made to more than one hundred investors.

Issuance of securities on private placement basis is issuance of securities to strategic investors, institutional investors and persons between thirty to one hundred investors whereby the value, the number of times and the number of investors of issuance on private placement basis shall be in compliance with the determination of the SC.

Issuance of securities through rights offering is issuance of securities which provide pre-emptive rights to the existing shareholders in subscribing the company's securities in the ratio and according to allocation methods pursuant to the resolution of the shareholders' meeting.

## **Article 10 Conditions for Issuance of Securities**

### **A company wishing to issue shares shall satisfy the following conditions:**

1. having the status of a public company;
2. having a board of directors consisting of independent directors of at least one-third of the total members of a board of directors and having an internal audit committee;
3. having a capital utilization plan which has been approved by a resolution of a shareholders' meeting;
4. having financial statements which have been audited by an audit company;
5. capable to generate profits, having a stable financial status and willing or able to pay debts as they become due;
6. having obtained certification of readiness in issuance of securities from a securities company; and
7. having satisfied other conditions as prescribed by the relevant laws and regulations.

### **A company wishing to issue corporate bonds shall satisfy the following conditions:**

1. being a company duly incorporated under the laws;
2. having a capital utilization plan;
3. having financial statements which have been audited by an audit company;

4. having engaged a custodian bank to monitor and protect of the benefits of corporate bond holders;
5. having the total outstanding amount of corporate bonds of less than thirty percent of the net asset value;
6. having an average profit for the past 3 years sufficient for payments of all of the interest under the corporate bonds for the following year; and
7. having capacity to make payments for principal and interest under previous issue(s) of corporate bonds when due in case of the subsequent issuance of corporate bonds.

Apart from the securities which are shares and corporate bonds, the SC also determines the conditions relating to issuance of other types of securities, issuance of securities of newly-incorporated companies in the priority sectors of the Government, issuance of securities in foreign countries and issuance of securities of foreign companies in Lao PDR.

#### **Article 11 Application Documents for Issuance of Securities**

A company wishing to issue securities shall submit an application and supporting documents to the SC.

##### **Application documents for issuance of securities comprise the following documents:**

1. an application pursuant to the form of the SC;
2. a copy of the enterprise registration certificate or the concession certificate;
3. a copy of the tax identification certificate;
4. by-laws of the company;
5. a resolution of the shareholders' meeting approving the issuance of securities;
6. a list of shareholders holding shares of at least 1 percent;
7. a certificate of readiness in issuance of securities issued by a securities company in case of the issuance of shares or issued by any commercial bank in case of the issuance of corporate bonds;
8. an asset appraisal report in case of the issuance of corporate bonds;
9. financial statements;
10. a prospectus;
11. an underwriting agreement entered into with a securities company; and
12. other relevant documents.

Issuers, securities intermediaries and other relevant parties participating in preparation of the documents for application for issuance of securities shall be responsible for the content and information specified therein.



## **Article 12 Financial Statements**

Financial statements of issuers consist of a balance sheet, a statement of income, a statement of cash flows, a statement of changes in equity, an explanation of the accounting principle or method used, and other information. Financial statements shall be audited by an audit company which is approved by the SC.

In case issuers are a group of companies, financial statements shall display both stand-alone and consolidated financial information.

## **Article 13 Prospectus**

### **Prospectus shall contain material information as follows:**

1. information relating to an issuer, its business operation and risk factors of its business operation;
2. information relating to members of a board of directors, an audit committee and an executive committee;
3. information relating to securities being offered, e.g. offering method, amount, par value, offering price, offering period, subscription method, allocation, delivery and transfer restriction of securities;
4. yield and redemption plan upon maturity in case of issuance of corporate bonds;
5. names and addresses of an audit company, a legal advisor, a securities company and other parties involved in the securities offering;
6. a utilization plan on proceeds and future projects;
7. a list of controlling persons;
8. legal disputes and related party transactions; and
9. information relating to financial status of an issuer which is audited by an audit company.

## **Article 14 Underwriting Agreement**

Each of issuance of securities, an issuer shall enter into an underwriting agreement with any of securities companies, except for issuance of securities on private placement basis.

In case there are several securities companies jointly underwriting issuance of securities, one of the securities companies shall be appointed as a representative to enter into an underwriting agreement with an issuer.

**Article 15 Disclosure of Securities Issuance Plan**

After an application and supporting documents for application for issuance of securities have been completely and accurately submitted to the SC, an issuer can disclose the information relating to issuance of securities pursuant to the content specified in documents submitted for application for issuance of securities.

**Article 16 Consideration of Application for Issuance of Securities**

After receiving complete and accurate documents for application for issuance of securities, the SC shall consider such application within forty-five days from the date of receipt of such application and supporting documents. In case of rejection, the SC shall provide a response in writing together with reasons for rejection.

In considering an application for issuance of securities, if necessary, the SC can request for additional documents and information, including working paper from an audit company, and invite an issuer or a securities company(ies) and other relevant parties to discuss or provide information.

**Article 17 Procedures of Issuance of Securities**

**Issuance of securities shall be in compliance with the following procedures:**

1. announce an approval of issuance of securities;
2. determine an offering price of securities;
3. advertise sale of securities through mass media;
4. subscribe for securities and place deposit;
5. allocate securities;
6. make payment or return deposit in case the subscriber has not been allocated with the securities according to the subscribed amount; and
7. issue securities holding certificates.

Sale of securities shall be completed within ninety days from the date of an approval for issuance of securities. In case sale of securities is not completed within such a period, an issuer can request the SC to extend the offering period, provided that the extended period shall not exceed thirty days.

A foreign investor wishing to subscribe for securities shall comply with the procedures and conditions as prescribed by the SC.

**Article 18 Report on Result of Issuance of Securities**

Issuers shall report results of issuance of securities to the SC in writing within five business days from the last date of securities offering.

The SC shall confirm results of issuance of securities within five business days from the date of receipt of such report in order for issuers to use as a reference for registration of capital increase. Subsequently, issuers can utilize the proceeds from such issuance of securities.

In case that less than eighty percent of the total offering securities are subscribed, such issuance of securities shall be deemed unsuccessful and all subscription money shall be returned to investors within five business days from the date of receipt of confirmation on result of issuance of securities.

**Article 19 Suspension and Revocation of Issuance of Securities**

The SC can suspend issuance of securities in case there is provision of inaccurate information or noncompliance with the procedures of issuance of securities as prescribed in Article 17 of this Law which may cause damage to the investors.

The SC can revoke issuance of securities in case an issuer cannot resolve the pending issues as prescribed in paragraph 1 of this Article.

The procedures of suspension and revocation of issuance of securities are prescribed in the specific regulations.

**Chapter 2**

**Operation of Issuer and Listed Company**

**Article 20 Corporate Governance of Issuer and Listed Company**

Issuers and listed companies shall comply with good corporate governance as prescribed by the SC, including reporting and disclosure requirements as prescribed in Articles 123 and 124 of this Law.

**Article 21 Accounting and Audit**

Issuers and listed companies shall comply with the basic accounting principles and accounting standards, have back-up documents, manuals, accounting books and various books, maintain accounting documentation and prepare financial statements in accordance with the Law on Accounting and the relevant laws and regulations. Financial statements of issuers and listed companies shall be audited by audit companies.

**Article 22 Business Takeover**

Business takeover is an acquisition or acceptance of transfer of shares of any listed company in which such purchaser or transferee becomes a shareholder with controlling power in such listed company.

Every purchase or transfer of shares with the characteristic of business takeover shall be reported to the SC. If such purchase or transfer of shares results in the shareholding ratio which triggers takeover threshold as prescribed by the SC, the person who will purchase or accept transfer of such shares shall make an offering to purchase all shares from other shareholders or shall sell the proportion of shares in excess of the takeover threshold.

Shareholding ratio triggering takeover threshold, reporting and disclosure requirements and procedures of tender offer are prescribed in the specific regulations.

#### **Article 23 Related Party Transactions**

Related party transaction means any transaction of an issuer or a listed company with a related person or juristic person.

Categories, conditions, procedures, reporting and disclosure requirements relating to related party transactions are prescribed in the specific regulations.

#### **Article 24 Acquisition and Disposition of Assets**

Acquisition and disposition of assets of an issuer and a listed company are any large transaction of a company with other persons or juristic persons which may affect the financial status and business operation of a company and rights and benefits of shareholders.

Categories, conditions, procedures, reporting and disclosure requirements relating to the acquisition and disposition of assets are prescribed in the specific regulations.

#### **Article 25 Share Certificate**

A share certificate of listed companies is a combined share certificate, with no specification of shareholders' name. Listed companies shall deposit such share certificate with the securities depository. The securities depository prepares and manages database relating to list of shareholders, and the persons whose names appeared on such list shall be deemed the legitimate shareholders.

### **Part III**

#### **Public Fund**

##### **Chapter 1**

##### **Establishment of Public Fund**

#### **Article 26 Public Fund**

A public fund is a fund derived from fundraising from persons, juristic persons and organizations, both domestic and foreign, in order to invest in securities as prescribed in Article 29 of this Law. Assets of any public fund are assets of unitholders of such a public fund.

### **Article 27 Categories of Public Fund**

**There are two categories of public fund as follows:**

1. closed-end public fund; and
2. open-end public fund.

A closed-end public fund is a fund with a fixed number and par value of public fund units, which raises funds from the public one time upon its establishment and has specific maturity.

An open-end public fund is a fund with a non-fixed number and par value of public fund units which may be increased or decreased and has non-specific maturity.

### **Article 28 Principles on Operation of Public Funds**

**Public funds shall be operated in accordance with the following principles:**

1. unitholders trade public fund units voluntarily;
2. assets of public funds shall be maintained and supervised by custodian banks;
3. asset management companies and custodian banks shall separate their own assets from the assets of public funds and assets of public funds shall not be deemed as the assets of asset management companies or custodian banks;
4. assets of each public fund shall be separated from one another; and
5. revenue and other assets derived from management of public funds by asset management companies and custodian banks shall be the assets of public funds.

### **Article 29 Investment of Public Funds**

**Public funds can invest in securities or assets as follows:**

1. money market products, e.g. deposits of cash, certificates of deposits and saving lotteries;
2. shares listed on the securities exchange;
3. corporate bonds;
4. government bonds; and
5. other securities or assets as prescribed by the SC.

### **Article 30 Establishment of Public Funds**

Public funds may be established in the form of juristic persons or by contracts and shall obtain an approval from the SC.

Public funds established in the form of juristic persons shall stipulate by-laws. Public funds established by contracts shall form public fund contracts between asset management companies,

custodian banks and investors. Such public fund contracts shall be deemed as by-laws of such public fund.

**Article 31 Conditions for Public Fund Establishment**

**Establishment of a public fund shall be subject to the following primary conditions:**

1. being an asset management company duly established under this Law;
2. having an appropriate number of fund managers who hold professional licenses for public fund management; and
3. having a fundraising plan and an investment plan of public funds.

**Article 32 Application Documents for Public Fund Establishment**

An asset management company wishing to establish a public fund shall submit an application and supporting documents to the SC.

**Application documents for a public fund establishment comprise the following documents:**

1. an application pursuant to the form of the SC;
2. a brief biography of public fund manager(s) appointed by an asset management company;
3. copies of an enterprise registration certificate and a tax identification certificate of an asset management company;
4. a prospectus for sale of public fund units;
5. by-laws of a public fund and a custodian agreement between an asset management company and a custodian bank in case a public fund was established in the form of a juristic person;
6. a public fund contract between an asset management company, a custodian bank and investors in case a public fund was established by a contract;
7. financial statements; and
8. other documents as prescribed by the SC.

A public fund, which has been in operation, wishing to sell additional public fund units to the public shall submit additional documents as follows:

1. a resolution of a unitholders' meeting approving a fundraising plan and an investment plan;
2. financial statements of a public fund audited by an audit company for the past three years or from the commencement date of such public fund; and
3. an assessment letter from a custodian bank relating to the compliance with by-laws or a public fund contract.

**Article 33 By-laws or Public Fund Contract**

**By-laws or a public fund contract shall contain material information as follows:**

1. name of a public fund;
2. names, locations of head office and all branches of an asset management company;
3. fundraising objectives and investment policies;
4. category and term of a public fund;
5. number and par value of public fund units;
6. registered capital of a public fund;
7. methods of public fund management;
8. calculation methods for net asset value of a public fund;
9. methods of allocation of profit or distribution of dividend of a public fund;
10. fees and service fees to be paid to an asset management company and a custodian bank;
11. procedures, time and place for subscription, trading and redemption of public fund units;
12. rights and duties of unitholders, an asset management company and a custodian bank;
13. unitholders' meeting and methods of casting votes;
14. dispute resolution method;
15. dissolution and liquidation;
16. other contents as prescribed by the SC.

By-laws or a public fund contract shall be approved by a unitholders' meeting and shall be effective after an approval of the SC.

**Article 34 Prospectus for Sale of Public Fund Units**

**Prospectus for sale of public fund units of a public fund shall contain material information as follows:**

1. name, category and term of a public fund;
2. information relating to a public fund manager, an asset management company, a custodian bank and a legal advisor;
3. number and par value of public fund units;
4. objectives, strategies, methods, procedures and scopes of investment and risk factors of a public fund;

5. information relating to financial status of a public fund, which has been in operation, for the past three years or from the commencement date of a public fund which is audited by an audit company;
6. yield and redemption plan;
7. plans for issuance of public fund units and guidelines for investment in a public fund;
8. fees and service fees for public fund management;
9. other information as prescribed by the SC.

**Article 35 Consideration of Application Documents for Public Fund Establishment**

After receiving complete and accurate application documents for public fund establishment, the SC shall consider such public fund establishment application within forty-five days from the date of receipt of such application and supporting documents. In case of rejection, the SC shall provide a response in writing together with reasons for rejection.

In considering public fund establishment application, if necessary, the SC can request for additional documents and information from an asset management company, a custodian bank and an audit company.

**Article 36 Procedures of Sale of Public Fund Units**

**Sale of public fund units of a public fund shall be in compliance with the following procedures:**

1. announce an approval for sale of public fund units;
2. advertise sale of public fund units as specified in prospectus;
3. subscribe for public fund units and place deposit;
4. allocate public fund units;
5. make payment and return deposit in case the subscriber has not been allocated with public fund units according to the subscribed amount; and
6. issue public fund unit holding certificates.

**Article 37 Report on Result of Sale of Public Fund Units**

Asset management companies shall report results of sale of public fund units to the SC in writing within five business days from the last date of sale of public fund units.

**Article 38 Registration of the Funds Raised from Sale of Public Fund Units**

Asset management companies shall register the funds raised from sale of public fund units as assets of public funds with the SC in order for the SC to issue an approval to manage such public funds.



**Article 39 Rights and Duties of Unitholders**

**Unitholders shall have rights and duties as follows:**

1. to trade, transfer or redeem public fund units;
2. to make full payment for subscription of public fund units when due;
3. to receive yield on investment of public funds according to their proportion of public fund unit holding;
4. to receive distribution of assets of public funds, in the event that the public funds are dissolved;
5. to follow the information relating to operation results of public funds;
6. to exercise other rights and perform other duties pursuant to by-laws or public fund contracts.

**Article 40 Unitholders' Meeting**

A Unitholders' meeting is the supreme body of a public fund.

A unitholders' meeting shall have the rights and duties as follows:

1. to approve and amend by-laws and a public fund contract;
2. to approve and amend investment policies;
3. to specify, increase or decrease the remuneration for an asset management company and a custodian bank;
4. to merge or dissolve a public fund; and
5. to exercise other rights and perform other duties pursuant to by-laws and a public fund contract.

The procedures and methods for holding unitholders' meetings are prescribed in the specific regulations.

**Chapter 2**

**Registration, Trading and Redemption of Public Fund Units**

**Article 41 Registration of Public Fund Units**

Closed-end funds shall list all of their public fund units on the securities exchange in accordance with the conditions and procedures as prescribed in the specific regulations of the securities exchange. Open-end funds may or may not list their public fund units on the securities exchange.

**Article 42 Trading of Public Fund Units**

Public fund units listed on the securities exchange shall be traded and transferred through the securities exchange in accordance with the regulations of the securities exchange and other relevant regulations.

**Article 43 Redemption of Public Fund Units**

Closed-end funds shall redeem public fund units from unitholders only upon the maturity of such public funds.

Open-end funds can redeem public fund units from unitholders prior to maturity of such public funds as specified in by-laws of open-end public funds and other relevant regulations.

**Article 44 Determination of Net Asset Value of Public Funds**

Custodian banks shall determine net asset value of public funds.

The principles and methods relating to the determination of net asset value of public funds are prescribed in the specific regulations.

**Chapter 3**

**Merger, Dissolution and Liquidation of Public Fund**

**Article 45 Merger of Public Funds**

A merger of any public fund with other public funds shall be approved by the SC and shall be in compliance with the relevant laws and regulations.

**Article 46 Dissolution of Public Funds**

Any public fund can be dissolved voluntarily or in accordance with the laws.

**Article 47 Voluntary Dissolution**

Voluntary dissolution is dissolution of a public fund based on an approval of a unitholders' meeting, provided that such a public fund shall have sound financial status in such dissolution for the purpose of liquidation.

A public fund wishing to be dissolved shall submit an application and supporting documents to the SC for consideration.

**Application documents for dissolution are as follows:**

1. an application pursuant to the form of the SC;
2. a resolution of a unitholders' meeting;
3. audited financial statements of such a public fund; and
4. other documents prescribed by the SC.

The SC will consider an application for dissolution within thirty days from the date of receipt of complete and accurate application and supporting documents.

A public fund to which an approval to dissolve has been granted shall announce to the public through mass media for fifteen consecutive days from the date of an approval to dissolve.

**Article 48 Dissolution in accordance with the Laws**

**Dissolution in accordance with the laws is dissolution of public funds in any of the following cases:**

1. maturity of public funds;
2. an approval for establishment based on provision of inaccurate information; and
3. violation of this Law and other relevant laws and regulations resulting in adverse effect.

The SC shall announce to the public regarding the dissolution of public funds.

**Article 49 Liquidation of Public Funds**

Public funds which have been dissolved pursuant to Articles 47 and 48 of this Law shall proceed with liquidation process in accordance with the regulations of the SC, the Law on Bankruptcy and other relevant laws and regulations.

**Part IV**

**Securities Intermediary**

**Chapter 1**

**Securities Company**

**Article 50 Incorporation of Securities Company**

A person or juristic person wishing to incorporate a securities company shall submit an application and supporting documents to the SC. A securities company can be incorporated in the form of a company, except as a one-person limited company.

**Article 51 Conditions for Incorporation of Securities Company**

**Incorporation of a securities company shall be subject to the following conditions:**

1. having adequate registered capital as prescribed by the SC;
2. having a business plan at least for the first three years after the incorporation;
3. having members of a board of directors and an executive committee who possess knowledge and experience in relation to securities business, finance-banking or law of at least five years;

4. having sound financial status and been audited by an audit company in case an applicant is a juristic person;

5. having sound financial status, having capacity to act, not having been sued or sentenced by a court for criminal offences, e.g. fraud, embezzlement or wrongdoing relating to securities business in case an applicant is a person;

6. other conditions as prescribed by the SC.

#### **Article 52 Application Documents for Incorporation of Securities Company**

**Application documents for incorporation of a securities company comprise the following documents:**

1. an application pursuant to the form of the SC;

2. a joint venture agreement;

3. by-laws of the company;

4. copies of an enterprise registration certificate and by-laws of an applicant who is a juristic person;

5. certificates of educational qualifications, a certificate of criminal record, record of experience in business operation of members of a board of directors and an executive committee;

6. a list of shareholders and shareholding ratio, brief biographies of shareholders and copies of identification cards or passports of shareholders who are persons;

7. financial statements, which have been audited by an audit company, of the shareholders who are juristic persons;

8. a business plan at least for the first three years after the incorporation;

9. other documents as prescribed by the SC.

#### **Article 53 Consideration of Application for Incorporation of Securities Company**

After receiving complete and accurate application and supporting documents for incorporation of a securities company, the SC shall consider such application for incorporation. In case all of the conditions prescribed in Article 51 of this Law are satisfied, a temporary certificate of securities company incorporation will be issued within thirty days from the date of receipt of an application. In case of rejection, the SC shall provide a response in writing together with reasons for rejection.

The SC will issue a permanent certificate of incorporation within thirty days from the date on which an applicant has satisfied all of the additional conditions.

**The additional conditions are as follows:**

1. all of the shares having been fully paid-up according to shareholding ratio;
2. having office premises and appropriate and modern facilities to operate a securities business;
3. having operating systems for each division, inspection systems, internal control systems and risk management systems;
4. having securities professionals with securities business professional license in the approved categories and having an appropriate number of technical staff; and
5. other conditions as prescribed by the SC.

In case an applicant fails to comply with the additional conditions as prescribed in paragraph 3 of this Article within one hundred and eighty days, a temporary certificate of securities company incorporation shall become void. In case where an applicant has not successfully complied with such conditions, but has sufficient reasons for failing to comply with such conditions, the SC may extend the terms of a temporary certificate of incorporation but such extension shall not exceed ninety days.

After receiving a permanent certificate of incorporation, an approved applicant shall apply for enterprise registration and undertake business operation as prescribed by the Law on Enterprises and the Law on Investment Promotion.

**Article 54 Establishment of Branch Office and Service Center of Local Securities Company**

A local securities company can establish its own branch office or service center locally or overseas pursuant to an approval of the SC.

The SC shall prescribe the conditions for establishment and scope of operation of a branch office or a service center of a local securities company.

**Article 55 Establishment of Company, Branch Office and Representative Office of Foreign Securities Company**

A foreign securities company can establish a securities company in Lao PDR in the form of sole investment, joint investment with the financial institutions duly incorporated under the laws of Lao PDR or a branch office or a representative office as approved by the SC.

The establishment and operation of a foreign securities company shall be in accordance with the incorporation of a securities company by local persons and juristic persons.

The SC shall prescribe the conditions relating to the establishment and the scope of operation of a branch office or a representative office of a foreign securities company in Lao PDR.

**Article 56 Securities Business Professional License**

A securities business professional license is a license for business operation of securities broker, financial advisor, securities analyst or public fund manager.

The SC shall issue securities business professional licenses in accordance with the conditions, methods and procedures as prescribed in the specific regulations.

**Article 57 Payment and Utilization of Registered Capital of Securities Company**

An approved applicant to which a temporary certificate of securities company incorporation has been granted shall fully pay the registered capital into its own cash account opened with a bank as prescribed by the SC.

Utilization of registered capital for preparation of establishment and operation of securities business shall be in a detailed utilization plan and approved by the SC.

**Article 58 Public Announcement**

A Securities company registered as an enterprise shall make a public announcement through mass media within five days from the date of receipt of an enterprise registration certificate.

**Article 59 Securities Company Organizational Structure**

**Organizational structure of a securities company shall comprise the following elements:**

1. shareholders' meeting;
2. board of directors;
3. specialized committees of the board of directors;
4. executive committee;
5. a number of division directors, securities professionals and technical staff.

The roles, rights, duties and method of work of each element shall be in accordance with the Law on Enterprises, the regulations of the SC and shall be specified in by-laws of a securities company.

**Article 60 By-laws of Securities Companies**

By-laws of securities companies shall contain the contents as prescribed in the Law on Enterprises and be approved by the SC.

**Article 61 Business Operation of Securities Companies**

**Securities companies can operate any of the following business:**

1. financial advisor;
2. securities broker; and
3. securities underwriter.

**Article 62 Financial Advisor**

A Securities company approved to be a financial advisor can provide advice relating to the restructuring of organizations, corporate governance, finance, business operation and others for preparation of issuance of securities to the public and listing on the securities exchange.

**Article 63 Securities Broker**

**A Securities company approved to be a securities broker can conduct the following businesses:**

1. be an intermediary or agent for securities trading according to purchasing or selling orders of the customers;
2. trade securities on behalf of a securities company by utilizing money and securities of a securities company;
3. provide advice directly to investors relating to investment in securities or groups of securities; and
4. provide financial advice as prescribed in Article 62 of this Law.

**Article 64 Securities Underwriter**

**A Securities company approved to be a securities underwriter can conduct the following businesses:**

1. determine price and numbers of securities to be issued;
2. underwrite securities issued by means of assisting in sale of securities or purchasing securities partially or entirely from an issuer for the remaining portion in order to guarantee the success of issuance of securities;
3. conduct business of securities broker as prescribed in Article 63 of this Law.

**Article 65 Change of Securities Business Operation**

A Securities company approved to operate one of the securities businesses as prescribed in Article 61 of this Law can apply for a change of its securities business operation with the SC.

**An Application for a change of securities business operation shall comprise the following documents:**

1. an application pursuant to the form of the SC;
2. amended by-laws of a securities company approved by a shareholders' meeting;
3. a resolution of a shareholders' meeting;
4. documents of certification on capital increase in case an application for a change of securities business operation of a securities company as prescribed in Article 61 of this Law; and
5. other documents as prescribed by the SC.

The SC will consider an application for a change of securities business operation within thirty days from the date of receipt of complete and accurate application and supporting documents. In case of rejection, the SC shall provide a response in writing together with reasons for rejection.

**Article 66 Increase or Decrease of Registered Capital of Securities Company**

Any securities company wishing to increase or decrease its registered capital whether in general circumstance or in case of a change of securities business operation shall comply with the Law on Enterprises.

**Article 67 Capital Adequacy Ratio**

Securities companies shall maintain capital adequacy ratio in accordance with the regulations of the SC in order to guarantee its stability.

**Article 68 Rights and Duties of Securities Company**

**A securities company has the primary rights and duties as follows:**

1. to operate securities business in the category approved;
2. to improve and develop the internal control system, risk management, information technology and prevention of conflicts of interest within a company or with relevant persons;
3. to separate securities accounts and cash accounts for each customer from accounts of a securities company;
4. to provide complete, accurate and precise information for customers in a timely manner;
5. to give priority to customers in operating securities trading business;
6. to provide basic knowledge relating to securities investment for investors and evaluate readiness in order to create understanding and responsibility of investors on potential risks;
7. to gather information of customers, e.g. names, addresses, occupations, places of business, sources of income and financial status, and ensure that a securities account applicant is an actual owner of the account;



8. to keep complete and correct information and documents relating to operation of securities businesses and its customers and guarantee the security thereof;

9. to keep confidential information of customers, unless otherwise prescribed by the laws; and

10. to comply with accounting system, audit and statistic and other financial obligations pursuant to the laws and regulations.

#### **Article 69 Amendments to Details of Securities Company**

A securities company can amend any of its details upon an approval of the SC.

##### **Amendments to the following details shall require an approval:**

1. increase or decrease of registered capital;
2. category of securities business operation;
3. name, location, merger or dissolution of a company, a branch and a service center or a representative office;
4. temporary suspension of business operation, except for suspension due to violation of the laws;
5. change of shareholding structure of at least five percent;
6. change of members of a board of directors, an executive committee and an internal audit committee; and
7. other changes as prescribed in the relevant laws and regulations.

The SC will consider an application for an amendment as prescribed in paragraph 2 of this Article within thirty days from the date of receipt of accurate and complete application for an amendment.

#### **Article 70 Accounting System of Securities Company**

Securities companies shall comply with the accounting system as prescribed in the Law on Accounting and the accounting standard of Lao PDR.

Annual financial statements of securities companies shall be audited by audit companies.

#### **Article 71 Dissolution of Securities Company**

##### **A securities company shall be dissolved in the following circumstances:**

1. upon a request from a securities company based on a resolution of a shareholders' meeting;
2. an approval for incorporation based on provision of inaccurate information causing material damage to the capital market system and stability of a company;
3. merger of companies;

4. violation of prudential regulations of a securities company as prescribed by the SC;  
and

5. declaration of bankruptcy by the court.

After dissolution, the SC shall announce to the public through mass media for fifteen consecutive days from the date of dissolution.

#### **Article 72 Liquidation**

Securities companies which have been dissolved pursuant to Article 71 of this Law shall proceed with liquidation process for its liabilities to its employees, State and creditors in accordance with the relevant laws and regulations. Securities companies under dissolution cannot use assets of their customers for liquidation.

Securities companies under dissolution shall immediately transfer lists of their customers, including assets of their customers to other securities company(ies) for continuity of service in accordance with an approval of the SC. If necessary, the SC can appoint an ad-hoc committee to proceed with liquidation.

### **Chapter 2**

#### **Asset Management Company**

#### **Article 73 Incorporation of Asset Management Company**

An asset management company is a company, which operates business relating to establishment and management of public funds, including management of assets of any person, juristic person and organization.

A person or juristic person wishing to incorporate an asset management company shall submit an application and supporting documents to the SC. An asset management company can be incorporated in the form of a limited company or a public company, except as a one-person limited company.

A foreign asset management company can be incorporated in Lao PDR in the form of a sole investment or joint investment with the financial institution(s) duly incorporated under the laws of Lao PDR or a branch office or a representative office as approved by the SC.

#### **Article 74 Conditions for Incorporation of Asset Management Company**

**Incorporation of an asset management company, other than the conditions prescribed in Article 51 of this Law, shall be subject to the following conditions:**

1. having executives with good management experiences in public fund management;  
and

2. having an adequate number of fund managers who hold securities business professional licenses for public fund management.

**Article 75 Business Operation of Asset Management Company**

**An asset management company can operate the following businesses:**

1. establishment and management of public funds; and
2. management of assets of any person, juristic person and organization.

**Article 76 Rights and Duties of Asset Management Company**

**An asset management company has the rights and duties as follows:**

1. to operate and provide services in accordance with an approval granted;
2. to sell and redeem public fund units and list public fund units on the securities exchange or authorize any financial institution to take such action on its behalf as approved by the SC;
3. to comply with by-laws of public funds, custodian agreements, public fund contracts and protect the benefits of investors;
4. to audit public funds' accounts, report and disclose information relating to public funds as prescribed by the laws and regulations;
5. to comply with accounting system, audit and statistic and other financial obligations pursuant to the laws and regulations;
6. to summarize and report its business operation to the SC and other relevant authorities as prescribed by the laws and regulations.

**Article 77 Adoption of Provisions of Securities Company**

Other than the provisions prescribed in this Chapter, preparation of documents for application for incorporation, consideration of application for incorporation, payment and utilization of registered capital, public announcement, organizational structure, by-laws of a company, amendment, merger, accounting system, dissolution and liquidation of an asset management company shall comply with provisions of a securities company.

**Chapter 3**

**Custodian Bank**

**Article 78 Custodian Bank**

A custodian bank is a domestic or foreign commercial bank, granted with an approval from the SC, to act as a custodian to protect and supervise assets of investors.

**Article 79 Conditions for Application for Custodian Bank**

A commercial bank wishing to act as a custodian bank shall be subject to the following conditions:

1. having sound financial liquidity and being recognized by investors;
2. complying with the regulations relating to the stability prescribed by the Bank of Lao PDR;
3. having a division supervising assets of public funds and other assets which are under management of asset management companies and having an adequate number of technical staff in the relevant fields;
4. having secured and sound asset supervision and management systems, internal audit system and risk management system, including monitoring system for cash accounts and securities accounts;
5. having a securities clearing and settlement system which is secured and flexible, both domestically and internationally; and
6. other conditions as prescribed by the SC.

**Article 80 Application Documents for Custodian Bank**

**Application documents for a custodian bank comprise the following documents:**

1. an application pursuant to the form of the SC;
2. a resolution of a board of directors' meeting;
3. copies of an enterprise registration certificate and by-laws of the bank; and
4. audited financial statements for the past three years or from the date of incorporation.

**Article 81 Consideration of Application for Custodian Bank**

After receiving complete and accurate application and supporting documents for a custodian bank, the SC will consider and approve a custodian bank within forty-five days from the date of receipt of an application. In case of rejection, the SC shall provide a response in writing together with reasons for rejection.

**Article 82 Operation of Custodian Bank**

**A custodian bank can operate businesses as follows:**

1. protection and supervision of cash, securities, or other assets of investors;
2. clearing and settlement of securities transaction;
3. transfer of securities;
4. registration of securities accounts;

5. acting on behalf of investors to protect rights and other benefits that investors are entitled to;
6. preparation of report relating to securities business operation in order to provide for investors;
7. examination, inspection and evaluation of the compliance of rights and duties of public fund managers as specified in by-laws of public funds or public fund contracts; and
8. exercise of other rights and performance of other duties as assigned by investors.

**Article 83 Rights and Duties of Custodian Bank**

**A custodian bank has rights and duties as follows:**

1. to open and supervise cash accounts and securities accounts of investors;
2. to remit money into and out of Lao PDR to investors of foreign residence for securities trading;
3. to provide services of foreign currency exchange for the purpose of securities trading;
4. to provide services of clearing and settlement for securities trading;
5. to monitor and inspect investors' sources of funds;
6. to maintain information and other documents relating to financial transactions;
7. to attend shareholders' meetings as assigned by investors;
8. to receive and deliver dividends, interests and other benefits derived from assets or securities of investors;
9. to provide information relating to issuers and listed companies to investors;
10. to determine net asset value of public funds; and
11. to exercise other rights and perform other duties as prescribed by the SC and other relevant laws and regulations.

**Article 84 Suspension of Custodian Bank Operation**

**The SC may suspend operation of a custodian bank in any of the following cases:**

1. an approval for operation was granted based on provision of inaccurate information;
2. performance of any of the duties as prescribed in Article 83 of this Law is inefficient;
3. there is an order by the People's Court to suspend operation relating to custodian duty; and
4. there is violation of the laws and regulations which does not cause material effect to the capital market system.

After suspension of operation, a custodian bank shall rectify within the time period specified by the SC.

**Article 85 Revocation of Custodian Bank License**

**The SC may revoke a custodian bank license in any of the following cases:**

1. inability to rectify within the time period specified by the SC as prescribed in Article 84 of this Law;
2. revocation of an enterprise registration certificate; and
3. violation of the laws and regulations which causes material effect to the capital market system.

**Chapter 4**

**Audit Company and Auditor**

**Article 86 Audit Company Approval**

An audit company that provides audit services to the securities exchange, issuers, listed companies, public funds and securities intermediaries shall be approved by the SC.

**Article 87 Conditions for Approval of Audit Company**

**An approval of an audit company shall be subject to the following conditions:**

1. having incorporated and operated in Lao PDR for at least three years prior to the submission of application to the SC. In case an audit company has been merged with other company(ies), such merger shall have occurred for more than six months;
2. having at least five full-time auditors who have satisfied the conditions as prescribed in Article 88 of this Law;
3. having a minimum registered capital of not less than one billion Kip;
4. being a member of the Lao Association of Accountant and Independent Auditor; and
5. having experience in accounting and auditing operations.

**Article 88 Conditions for Auditor**

**An approval of an auditor of an audit company shall be subject to the following conditions:**

1. being a member of the Lao Association of Accountant and Independent Auditor;
2. having at least three years of auditing experience; and
3. never violated regulations relating to auditing and professional ethics;
4. never been prosecuted or sentenced by a court for a criminal offence, e.g. fraud, embezzlement, or bribery.

## **Article 89 Application Documents for Audit Company Approval**

**Application documents for an audit company approval comprise the following documents:**

1. an application pursuant to the form of the SC;
2. a copy of enterprise registration certificate;
3. a copy of tax identification certificate;
4. by-laws of the company;
5. copies of a membership certificate of the Lao Association of Accountant and Independent Auditor;
6. report on operation and financial statements audited by an audit company for the past three years prior to the date of application submission;
7. number and names of auditors together with their brief biographies and auditing experiences. In addition, there shall be additional supporting documents for auditors as follows:
  - 7.1 a copy of a auditor's accounting advisory certificate;
  - 7.2 a copy of a membership certificate of the Lao Association of Accountant and Independent Auditor; and
  - 7.3 a certificate of criminal record.
8. other documents as prescribed by the SC.

Supporting documents for an audit company approval which are in foreign language shall be translated into Lao language.

## **Article 90 Consideration of Application for Audit Company Approval**

After receiving complete and accurate application and supporting documents for an application for audit company approval, the SC shall consider and approve an audit company within forty-five days from the date of receipt of an application. In case of rejection, the SC shall provide a response in writing together with reasons for rejection.

An approval of an audit company has a term of three years. An audit company wishing to renew its approval shall submit an application to the SC at least forty-five days prior to the expiration date of such term.

## **Article 91 Rights and Duties of Audit Company**

**An approved audit company, other than having the rights and duties as prescribed by the laws relating to auditing, shall also have the additional rights and duties as follows:**

1. to duplicate documents, or request the entities being audited and related companies to provide accounting information and other necessary information;
2. to terminate an audit service agreement, in case it deems that such audit is not independent, does not receive cooperation, or is forced to take any action not in compliance with the laws and regulations;
3. to notify management of an entity being audited, in case it deems that there is violation in order to cease such violation and seek for solution together with specifying such violation in an audit report and to notify an executive committee;
4. to report audit results to the SC in relation to:
  - 4.1 termination of an audit service agreement;
  - 4.2 violation of the laws and regulations;
  - 4.3 damage that may occur or have occurred with a value of equal to or more than ten percent of asset value of an entity being audited;
  - 4.4 irregular change in asset value; and
  - 4.5 insufficiency of total asset value to make debt repayment;
5. to audit and review items specified in the financial statements pursuant to the SC's suggestions;
6. to be responsible for audit result as prescribed by the laws and regulations in case such audit result is inaccurate causing damage to an entity being audited or to those utilizing such audit report.

## **Article 92 Suspension of Approval**

**The SC may suspend an approval of an audit company in any of the following cases:**

1. inability to satisfy the conditions as prescribed in Articles 87 and 88 of this Law;
2. being subject to litigation or lawsuits relating to an audit; and
3. violation of the laws and regulations which does not cause material effect to the capital market system.

After the suspension of an approval, an audit company shall rectify within the time period specified by the SC.



### **Article 93 Revocation of Approval**

**The SC may revoke an approval of an audit company in any of the following cases:**

1. inability to rectify within the time period specified by the SC as prescribed in Article 92 of this Law;
2. revocation of an enterprise registration certificate; and
3. violation of the laws and regulations which causes material effect to the capital market system.

## **Chapter 5**

### **Credit Rating Agency**

#### **Article 94 Credit Rating**

Credit rating is rating of quality and risk of securities, e.g. bonds or corporate bonds, rating of management and financial status of issuers, listed companies or securities intermediaries.

#### **Article 95 Credit Rating Service**

A company, both domestic and foreign, wishing to provide credit rating services relating to securities activities in Lao PDR shall be approved by the SC.

An application for incorporation, operation and management of a credit rating agency is prescribed in the specific regulations.

## **Chapter 6**

### **Securities Business Association**

#### **Article 96 Securities Business Association**

The securities business association is a social organization established by securities intermediaries on voluntary basis with duties to promote and develop securities business, and protect the lawful rights and benefits of the members without seeking any profit.

The establishment and operation of the securities business association are prescribed by the laws and regulations relating to associations and the regulations of the SC.

#### **Article 97 Rights and Duties of Securities Business Association**

**The securities business association has the primary rights and duties as follows:**

1. to advertise and disseminate the laws and regulations and provide information relating to securities business to the members and the society;
2. to protect the rights and benefits of the members, as well as to gather opinions relating to securities business to propose to the SC for consideration;

3. to create by-laws of the association;
4. to create rules and ethics of securities professionals;
5. to research and enhance the knowledge relating to securities business for the members;
6. to supervise, monitor and inspect the business operation of the members.

## **Part V**

### **Securities Exchange**

#### **Chapter 1**

##### **Establishment of Securities Exchange**

###### **Article 98 Establishment of Securities Exchange**

The establishment of the securities exchange shall be approved by the SC with an approval from the Government.

The securities exchange can be established in the form of a limited company or a public company, except as a one-person limited company.

Change in shareholding structure and dissolution of the securities exchange shall also be approved by the SC.

###### **Article 99 Conditions for Applicant for Establishment of Securities Exchange**

**An applicant for establishment of the securities exchange shall be subject to the following conditions:**

1. being a juristic person or an organization with sound financial status, having extensive experience in securities activities operation;
2. having registered capital as prescribed by the SC; and
3. having a business plan for the first three years and the organizational structure of the securities exchange.

###### **Article 100 Application Documents for Establishment of the Securities Exchange**

**Application documents for establishment of the securities exchange comprise the following documents:**

1. an application pursuant to the form of the SC;
2. financial statements and a report on business operation of an applicant;
3. a contract of incorporation of securities exchange company;
4. by-laws of the securities exchange company;
5. names, addresses and nationalities, including number of shares of each applicant;

6. a business plan for the first three years after the establishment; and
7. other documents as prescribed by the SC.

#### **Article 101 Organizational Structure of Securities Exchange**

**The organizational structure of the securities exchange shall comprise the following elements:**

1. shareholders' meeting;
2. a board of directors consisting of external members of at least one-third of the total members and a chairman of a board of directors shall not be an executive;
3. specialized committees of a board of directors, e.g. an audit committee and a remuneration and policy committee;
4. an executive committee;
5. division directors and a number of technical staff.

The roles, rights, duties and method of work of each element shall be in accordance with the Law on Enterprises, the relevant laws and regulations and shall be specified in the by-laws of the securities exchange.

#### **Article 102 Conditions for Management**

**The management of the securities exchange is [composed of] members of a board of directors, specialized committees of a board of directors and an executive committee who shall have the following qualifications:**

1. having educational qualification of a bachelor's degree or higher;
2. having experience of at least three years in finance-banking, securities business, law, accounting, auditing or business administration;
3. never been discharged from government official positions or from being government officials;
4. never been revoked of a professional license, e.g. a professional license in accounting, auditing or securities business;
5. never been declared bankrupt by a court;
6. never been a management in any enterprise which has been declared bankrupt by a court;
7. never been prosecuted or sentenced by a court for criminal offences, e.g. theft, fraud, embezzlement, forgery, bribery, corruption, money laundering or any offence relating to securities business.

The management of the securities exchange who lacks any of the conditions prescribed in paragraph 1 of this Article during his term shall be discharged.

### **Article 103 By-laws of Securities Exchange**

The by-laws of the securities exchange shall have the material contents as prescribed by the Law on Enterprises and shall be approved by the SC.

### **Article 104 Consideration of Application for Establishment of Securities Exchange**

After receiving complete and accurate application and supporting documents for establishment of the securities exchange as prescribed in Articles 99 and 100 of this Law, the SC shall study such application and propose to the Government for consideration.

After the Government approves establishment of the securities exchange, the SC shall issue a temporary license for establishment of the securities exchange within thirty days from the date of an approval of the Government. In the case of rejection, a response in writing shall be provided together with reasons for rejection.

The SC shall issue a permanent license for establishment within thirty days from the date on which the applicant has satisfied all of the additional conditions.

#### **The additional conditions are as follows:**

1. the registered capital having been fully paid-up;
2. having office premises and equipment, trading system, clearing and settlement system for securities transaction, securities registration system, securities depository system, electronic surveillance system, network system, database system and appropriate and modern data back-up system, including other necessary systems;
3. having operation system in each division, inspection system and internal control;
4. having an appropriate number of technical staff for each position; and
5. other conditions as prescribed by the SC.

In case an applicant fails to comply with the conditions as prescribed in paragraph 4 of this Article within one hundred and eighty days, a temporary license for establishment of the securities exchange shall become void. In case an applicant for establishment of the securities exchange has not successfully complied with such conditions, but has sufficient reasons, the SC may extend the term of such temporary license for establishment, but such extension shall not exceed ninety days.

After receipt of the permanent license for establishment, an applicant for establishment of the securities exchange shall pay the fee as prescribed in the regulations, apply for enterprise registration and undertake business operation as prescribed by the Law on Enterprises and other relevant laws and regulations.

### **Article 105 Payment and Utilization of Registered Capital of the Securities Exchange**

Payment and utilization of registered capital of the securities exchange shall be in compliance with Article 57 of this Law.

## **Article 106 Rights and Duties of the Securities Exchange**

### **The securities exchange shall have the following rights and duties:**

1. to study and issue regulations on listing, trading, membership, clearing and depository of securities and other relevant regulations to propose to the SC for consideration;
2. to approve listing and delisting of securities;
3. to approve or cancel membership to the securities exchange or the securities depository;
4. to provide services of listed securities trading, clearing and settlement of securities transaction;
5. to suspend, cease or cancel any of the listed securities trading, if necessary;
6. to display warning symbols on any securities in case such listed company does not comply with the relevant laws and regulations;
7. to manage, monitor and inspect operation of its members and members of the securities depository and listed companies;
8. to conduct listed securities trading surveillance;
9. to create, develop and maintain appropriate and modern securities trading system, securities transaction clearing, market surveillance, securities trading database and network system;
10. to protect customers' confidential information;
11. to cooperate and provide information to the inspection committee, investigating officers and other relevant authorities;
12. to advertise, disseminate and organize trainings relating to securities activities for its members, listed companies, investors and general public;
13. to be responsible for damage caused by its own fault from its operation, except for damage caused by force majeure;
14. to cooperate with foreign securities exchanges and other organizations in relation to securities exchange activities;
15. to report and disclose information as prescribed by the laws and regulations; and
16. to exercise other rights and perform other duties as prescribed in the relevant laws and regulations.

### **Article 107 Members of the Securities Exchange**

Members of the securities exchange are all of the securities companies duly incorporated pursuant to this Law and approved by the securities exchange.

#### **Members of the securities exchange have rights and duties as follows:**

1. to utilize securities trading system and other services of the securities exchange;
  2. to acquire and access to the securities exchange information;
  3. to give opinion relating to the securities trading system of the securities exchange;
  4. to pay fee and service fee as prescribed by the laws and regulations;
  5. to report and disclose information as prescribed in Articles 123 and 124 of this Law;
- and
6. to exercise other rights and perform other duties as prescribed in the relevant laws and regulations.

## **Chapter 2**

### **Operation of the Securities Exchange**

#### **Article 108 Operation of Securities Exchange**

The securities exchange can operate the following services:

1. securities listing;
2. listed securities trading;
3. clearing and settlement of securities transaction;
4. establishment and management of the risk protection fund (clearing risk fund);
5. performing listed securities trading surveillance; and
6. other services.

#### **Article 109 Securities Listing**

An issuer wishing to list its securities on the securities exchange must satisfy the conditions of capital, business operating results, financial status, shareholding structure and other conditions as prescribed by the securities exchange. After the securities are listed, such issuer is considered as a listed company and shall comply with the regulations of the securities exchange.

The SC shall prescribe the conditions relating to listing of securities of companies incorporated pursuant to the laws of Lao PDR on the foreign securities exchange(s) and listing of securities of foreign companies on the securities exchange of Lao PDR.

#### **Article 110 Securities Trading**

Securities trading is gathering of securities purchase-sale orders and matching of purchase-sale orders pursuant to priority in time, price and amount.

Securities trading shall be made by a modern, transparent, fair and efficient purchase-sale matching system.

Securities traded on the securities exchange shall be the securities listed on the securities exchange.

Foreign investors wishing to trade securities shall comply with the specific regulations of the SC.

#### **Article 111 Clearing and Settlement of Securities Transaction**

Clearing of securities transaction is a net calculation relating to securities and money of members to be delivered after the end of securities trading on each day based on result of matching of securities purchase-sale orders.

The securities exchange is the center for delivery of securities and money. The securities exchange also requires its members to deliver securities and money pursuant to a net calculation in full amount, as well as provides guarantees in relation to such delivery pursuant to the principles of delivery of securities and payment at the same time.

Settlement of securities shall be conducted by the securities depository. Settlement shall be conducted by the Bank of Lao PDR via custodian banks.

#### **Article 112 Establishment and Management of the Risk Protection Fund (Clearing Risk Fund)**

The risk protection fund (clearing risk fund) is the fund established at the securities exchange to protect payment risk in case any of the members cannot comply with payment delivery obligation. Members of the securities exchange shall contribute money into such fund pursuant to the regulations of the securities exchange.

The risk protection fund (clearing risk fund) has a management committee consisting of representatives from the securities exchange and members of the securities exchange.

In managing the risk protection fund (clearing risk fund), there shall be a specific account separated from the securities exchange account and such account shall be deposited at any bank as prescribed by the SC.

Details of the capitalization, administration and utilization of the risk protection fund (clearing risk fund) shall be prescribed in the specific regulations of the securities exchange.

#### **Article 113 Listed Securities Trading Surveillance**

The securities exchange shall have a specialized technical department and a real time electronic surveillance system on a real time basis to detect unfair securities trading and report to the SC.

Unfair securities trading consists of market manipulation, insider trading, forgery of financial statements and other actions as proscribed by the laws and regulations.

#### **Article 114 Provision of Other Services**

In case the securities exchange wishing to provide services other than those prescribed in Items 1 to 5 of Article 108 of this Law, e.g. improvement of trading system, the securities exchange shall propose to the SC for consideration and approval.

### **Chapter 3**

#### **Securities Depository**

#### **Article 115 Securities Depository**

The securities depository is a department of the securities exchange with the rights and duties as follows:

1. securities registration;
2. securities depository;
3. securities transfer;
4. creating securities register book;
5. performing duties on behalf of listed companies; and
6. exercising other rights and performing other duties as approved by the SC.

#### **Article 116 Securities Registration**

Securities registration is certification of ownership or other rights over securities through securities trading or securities transfer.

#### **Article 117 Securities Depository**

Listed companies shall deposit their securities with the securities depository prior to commencement of securities trading, as well as delegate powers to the securities depository to be their agent for securities registration and management of securities register books.

Issuers may register their securities with the securities depository in order to have such center perform the duties on their behalf as mutually agreed.



#### **Article 118 Securities Transfer**

Securities transfer is a change of ownership relating to securities of issuers and listed companies from one securities holder to another due to any reason without the process of securities trading on the securities exchange. Securities transfer shall be in compliance with the methods and procedures as prescribed by the SC.

Securities transfer shall become effective on the date of record of such transfer in the register book of the securities depository or on the date of record of such transfer in a securities register book.

#### **Article 119 Creation of Securities Register Book**

The securities depository shall create securities register books as requested by issuers and listed companies in order to facilitate the operation of those companies, e.g. arrangement of shareholders' meetings, distribution of dividends and rights offering.

#### **Article 120 Performing Duties on Behalf of Listed Companies**

The securities depository shall coordinate with securities companies and custodian banks to provide services to listed companies in order to protect the rights and benefits of investors, e.g. sending invitation letters to shareholders' meetings together with other documents, distribution of dividends or interest on corporate bonds.

#### **Article 121 Members of the Securities Depository**

Members of the securities depository comprise the following:

1. securities companies;
2. custodian banks;
3. assets management companies;
4. listed companies;
5. issuers;
6. foreign securities depositories or foreign custodian banks;
7. other members as prescribed by the SC.

Members of the securities depository shall exercise their rights and perform their duties as prescribed in the regulations of the securities depository.

#### **Article 122 Bankruptcy of Members of the Securities Depository**

A member of the securities depository, who has been filed for bankruptcy or whose operation has been temporarily suspended by the SC, shall complete all pending securities settlements.

## **Part VI**

### **Reporting, Disclosure and Maintenance of Information**

#### **Article 123 Reporting**

The securities exchange, issuers, listed companies, public funds and securities intermediaries shall comply with the reporting requirements to the SC as prescribed by the regulations of the SC. Report shall be complete, accurate, precise and [submitted] in a timely manner.

#### **Article 124 Disclosure of Information**

The securities exchange, issuers, listed companies, public funds and securities intermediaries shall comply with the disclosure requirement as prescribed by the regulations of the SC. Information disclosed to the public shall be accurate and reliable.

#### **Article 125 Information Reporting of Insiders**

An insider is any person who can access inside information of an issuer or a listed company, including the following persons:

1. controlling persons, auditors, division directors and employees of issuers, listed companies, securities intermediaries and the securities exchange;
2. executives and employees of the SC and any party relating to the issuance of securities; and
3. other persons as prescribed by the SC.

Insiders shall report information relating to their holding and trading of securities to their organization, the SC and the securities exchange pursuant to the regulations.

#### **Article 126 Maintenance of Information**

The securities exchange, issuers, listed companies, public funds and securities intermediaries shall maintain information and documents relating to their business operation for at least ten years pursuant to the regulations of the SC.

## **Part VII**

### **Investigation of Securities Cases**

#### **Article 127 Basis for Investigation**

**Basis for an investigation of securities cases are as follows:**

1. a claim or a complaint filed by a person or an organization relating to violation which are criminal offences under securities activities;
2. surrender of offenders; and

3. an evidence of offences, e.g. information or evidence relating to market manipulation, insider trading and forgery of financial statements.

#### **Article 128 Investigation Procedures**

##### **Investigation procedures for securities cases are as follows:**

1. instruction to initiate an investigation;
2. conduct of an investigation; and
3. conclusion of an investigation and preparation of a case file to forward to the people's prosecutor.

#### **Article 129 Instruction to Initiate Investigation**

The SC shall issue an instruction to initiate an investigation if there is any cause to investigate as prescribed in Article 127 of this Law within its scope of rights and duties. The content of such instruction shall specify the date, time and place of the instruction, name, surname and position of the person issuing the instruction, the nature of the offence committed and the relevant provisions of the Criminal Law, this Law and other relevant laws.

In case there is insufficient information to initiate an investigation or there is no cause to initiate an investigation, the SC shall issue an instruction not to initiate an investigation and shall notify such instruction to a person or an organization who filed such claim or complaint.

An instruction not to initiate an investigation of the SC may be appealed to provincial or capital people's prosecutor by the relevant parties within seven days from the date of acknowledgement of such instruction.

#### **Article 130 Conduct of Investigation**

Conduct of investigation of a case relating to securities shall apply the investigation procedures and the prevention measures as prescribed under the Law on Criminal Procedures.

#### **Article 131 Timing for Investigation**

The SC shall conduct an investigation, conclude an investigation and prepare a case file together with property in dispute to forward to the people's prosecutor within two months for a misdemeanor offence or three months for a major offence from the date of issuance of an instruction to initiate an investigation.

In case it is necessary to continue with such investigation, the head of the People's Prosecutor Office may extend the time period for such investigation for another two months each time, but shall not exceed six months in total for a misdemeanor offence, and for another three months each time, but shall not exceed one year in total for a major offence, pursuant to a request of the SC. Each request for the extension of time period shall be undertaken fifteen days prior to the expiry of an investigation period.

In case a case file is returned to the SC for additional investigation, the timing for such additional investigation shall not exceed two months from the date the SC receives such case file.

In case a suspended or closed investigation is re-commenced, an investigation shall be undertaken in compliance with the time period prescribed in paragraph 1 and paragraph 2 of this Article from the date of issuance of an instruction to re-commence an investigation.

An approval or a disapproval of the time extension of an investigation shall be issued in written instruction together with reasons by the head of the People's Prosecutor Office within forty-eight hours from the date of receipt of such request.

### **Article 132 Conclusion and Preparation of Case File to Forward to People's Prosecutor**

After completion of an investigation, in case there is sufficient evidence supporting that such violation is a criminal offence relating to securities, the SC shall conclude an investigation, prepare a case file and forward to the people's prosecutor for consideration and further submission to the court.

### **Article 133 Securities Investigation Officer**

A securities investigation officer is a government officer appointed by the SC to conduct the investigation as prescribed in this Law and the Law on Criminal Procedures.

The establishment, operation and standards of securities investigation officers are prescribed in the specific regulations.

### **Article 134 Rights and Duties of Securities Investigation Officers**

#### **Securities investigation officers shall have the following rights and duties:**

1. to receive and record any complaint, request, report or claim relating to securities cases;
2. to issue summon, invitation, give instruction on investigation procedures and prevention measures, as the case may be;
3. to collect statements from suspects, the accused, victims, plaintiffs, witnesses and other relevant persons;
4. to collect information relating to operation of a cash account and a securities account of the accused from custodian banks, commercial banks, securities companies, money transfer agents and other financial institutions;
5. to investigate a place of offence, equipment, system and examine documents and any form of information relating to the securities;
6. to capture, retain or release the accused pursuant to an instruction of the SC;
7. to pursue, arrest, capture or temporarily release the accused pursuant to an instruction of the head of the People's Prosecutor Office or the People's Court;
8. to notify accusation, rights and obligations to suspects and the accused;

9. to comply with any instruction and report situation relating to legal proceedings on securities offences to the SC;
10. to prepare a summary, a report and a securities case file to present to the SC;
11. to seize and maintain property in dispute in relation to securities cases;
12. to conclude and report results of investigations to the head of the SC;
13. to exercise other rights and perform other duties as instructed by the SC and as prescribed by the laws and regulations.

Securities investigation officers shall be responsible to the laws and the SC in the legal proceedings.

## **Part VIII**

### **Prohibition**

#### **Article 135 General Prohibition**

**Any person, juristic person, or organization is prohibited from conducting any of the following actions, whether directly or indirectly:**

1. market manipulation;
2. insider trading for benefits of oneself or others;
3. falsification of information, provision of inaccurate information which affects investors' decision and cause volatility to the securities exchange;
4. obstruction or non-cooperation with performance of securities supervisory and inspection authorities and other relevant authorities as prescribed by the laws and regulations;
5. utilization of securities business or securities trading for money laundering;
6. utilization and permission to use accounts and names of other persons or juristic persons for the purpose of securities trading; and
7. other actions in violation of the laws and regulations.

#### **Article 136 Prohibition for Issuers and Listed Companies**

**Issuers and listed companies are prohibited from conducting any of the following actions:**

1. issuance of securities without obtaining an approval from the SC;
2. issuance of securities based on every form of provision of inaccurate information or false information;
3. utilization of subscription proceeds or raised funds prior to obtaining confirmation of completion of issuance of securities from the SC, utilization of raised funds inconsistent with a

utilization plan or a change of purpose of a utilization plan not in compliance with the laws and regulations; and

4. other actions in violation of the laws and regulations.

#### **Article 137 Prohibition for Securities Companies and Securities Professionals**

**Securities companies and securities professionals are prohibited from conducting any of the following actions:**

1. provision of underwriting service or selling agent service not in compliance with the laws and regulations;
2. provision of underwriting service or financial advisory service to a company which hold shares in them or in which they hold shares of more than 10 percent of the total shares;
3. advertisement of sale of securities which is inconsistent with the content specified in a prospectus or inaccurate which misleads investors;
4. underwriting of securities which is unfair or not in compliance with the laws and regulations;
5. creation, development and provision of securities products to the public without obtaining an approval from the SC;
6. trading of securities or utilization of money or securities of customers without permission of customers;
7. Instigating customers to trade securities unreasonably for their own benefits or promise of return on securities trading;
8. dissemination or utilization of information of customers for their own or others' benefits, except for provision of information to the competent authorities as prescribed by the laws and regulations;
9. taking priority for their own securities trading over customers';
10. demanding, giving or accepting bribe or other considerations; and
11. other actions in violation of the laws and regulations.

#### **Article 138 Prohibition for Asset Management Companies and Fund Managers**

**Asset management companies and fund managers are prohibited from conducting any of the following actions:**

1. establishment of a public fund without obtaining an approval from the SC;
2. raising fund without prior approval from the SC;
3. borrowing of assets for a public fund or lending of assets of a public fund to other persons or juristic persons;

4. utilization of assets of one public fund to invest in another public fund under their management or purchase of shares or corporate bonds of custodian banks providing services to them;
5. utilization of assets of a public fund to purchase securities of any company having controlling power over an asset management company or a custodian bank relating to such a public fund;
6. utilization of raised funds without prior approval from the SC or investment in the business which is not approved by the SC;
7. utilization of assets of a public fund to guarantee the loan for themselves, a person or a juristic person or to make debt repayment, including in case where an asset management company is bankrupt;
8. commingling of their assets account or assets account of others into assets account of a public fund under their management;
9. unfair management of assets of a public fund under their management;
10. utilization of assets of a public fund for their own or others' benefits who are not unitholders of such public fund;
11. generating income to unitholders in violation of the laws and regulations;
12. demanding, giving or accepting bribe or other considerations; and
13. other actions in violation of the laws and regulations.

Executives of asset management companies and fund managers are also prohibited from holding any position in custodian banks or other asset management companies or participate in any securities transaction or other transaction which causes damage to assets of public funds and benefits of unitholders.

#### **Article 139 Prohibition for Custodian Banks**

**Custodian banks, members of boards of directors, executive committees are prohibited from conducting any of the following actions:**

1. lending of money to any asset management company that they provide services to;
2. holding shares more than the ratio prescribed by the SC in an asset management company which they provide services to;
3. investing or trading public fund units of a public fund which they provide services to;
4. provision of custodian service to an asset management company which hold the shares in them or in which they hold the shares;
5. commingling assets accounts of their customers or commingling assets accounts of their customers with their own assets account;
6. utilization of assets of a public fund to repay any indebtedness of custodian banks, including in case where they are bankrupt;

7. demanding, giving or accepting bribe or other considerations; and
8. other actions in violation of the laws and regulations.

Members of boards of directors and executive committees of such banks are also prohibited from being members of boards of directors of asset management companies that they provide services to.

#### **Article 140 Prohibition for Audit Companies and Auditors**

**Audit companies and auditors are prohibited from providing auditing service to any target company to which they have provided the following services in the same accounting year:**

1. accounting service including preparation of financial statements;
2. designing and creating financial information systems;
3. valuating assets, debts and equity;
4. calculating specific statistics;
5. being an internal auditor;
6. providing advice on management, operation and personnel;
7. being a broker or an advisor in investment;
8. demanding, giving or accepting bribe or other considerations;
9. being a legal advisor; and
10. other actions in violation of the laws and regulations.

#### **Article 141 Prohibition for Securities Exchange**

**The securities exchange, the members of the board of directors and the executive committee are prohibited from conducting any of the following actions:**

1. operating and transferring any business of the securities exchange to other person(s) or juristic person(s) without obtaining an approval from the SC;
2. investing in other businesses or enterprises without obtaining an approval from the SC;
3. notifying or disseminating inaccurate information which affects securities, investors and the securities exchange;
4. disclosing or utilizing information of its members or members of the securities depository for their own or others' benefits;
5. allowing trading of securities which are under trading or transfer restriction period;
6. utilizing securities accounts of its members and members of the securities depository for their own or others' benefits;



7. demanding, giving or accepting bribe or other considerations; and
8. other actions in violation of the laws and regulations.

The members of the board of directors and the executive committee of the securities exchange are also prohibited from being members of boards of directors of listed companies and securities intermediaries.

#### **Article 142 Prohibition for the Executives and Employees of SC**

**The executives and employees of the SC are prohibited from conducting any of the following actions:**

1. disclosing confidential information of any person, juristic person or organization under their supervision without prior approval;
2. holding any position or being an advisor to any person, juristic person or organization under their supervision;
3. using their positions for their own or others' benefits;
4. providing inaccurate information relating to securities activities to the public;
5. providing and utilizing information relating to securities activities that they know of for their own or others' benefits within one year after resigning from the SC;
6. demanding, giving or accepting bribe or other considerations; and
7. other actions in violation of the laws and regulations.

### **Part IX**

#### **Dispute Resolution**

##### **Article 143 Dispute Resolution Methods**

**Disputes relating to securities shall be resolved by any of the following methods:**

1. conciliation;
2. resolution by the SC;
3. resolution by the Economic Dispute Resolution Center;
4. resolution by the People's Court; and
5. international resolution methods

##### **Article 144 Conciliation**

Disputes arising among investors, or between investors and securities intermediaries, or between the securities exchange and its members may be proceeded with consultation and conciliation to ensure mutual benefits of both parties.

**Article 145 Resolution by Securities Commission**

Parties are entitled to submit disputes relating to securities to the SC to resolve pursuant to the regulations.

**Article 146 Resolution by Economic Dispute Resolution Center**

Parties are entitled to submit disputes relating to securities to the Economic Dispute Resolution Center to consider and resolve pursuant to the laws and regulations.

**Article 147 Resolution by People’s Court**

Parties are entitled to submit disputes relating to securities to the People’s Court for hearing and judgment pursuant to the laws and regulations.

**Article 148 International Resolution Methods**

International methods for resolution of disputes relating to securities shall be in compliance with the treaties and international agreements to which Lao PDR is a party.

**Part X**

**Supervision and Inspection of Securities Activities**

**Chapter 1**

**Supervision of Securities Activities**

**Article 149 Securities Supervisory Authority**

The Securities Commission shall be the securities supervisory authority, having direct responsibility to supervise, monitor and inspect securities activities based on coordination with other relevant sectors and local authorities when necessary.

The organizational structure of the securities supervisory authority is prescribed in the specific regulations.

**Article 150 Organizational Structure of the SC**

The SC consists of the chairman, the deputy chairmen, a number of commissioners and the secretary of the SC who are appointed or dismissed by the Prime Minister.

The deputy prime minister shall be the chairman of the SC, the governor of the Bank of Lao PDR shall be the first deputy chairman and the person in charge, the Minister of Finance shall be the second deputy chairman and the deputy minister or the equivalent from the economic, justice and other relevant sectors shall be the commissioners.

**Article 151 Roles of SC**

The SC shall be the advisor of the Government for the centralized macro-management of securities activities throughout the country.

## **Article 152 Rights and Duties of SC**

### **The SC shall have the primary rights and duties as follows:**

1. to study, create and improve strategic plans, policies and laws relating to securities to propose to the Government for consideration;
2. to determine programs and action plans for each time period;
3. to issue the regulations relating to securities activities;
4. to advertise, disseminate and educate the public relating to securities activities;
5. to supervise, monitor and inspect securities activities;
6. to collect fees and service fees as prescribed by the laws and regulations;
7. to grant an approval for the establishment and dissolution of the security exchange as approved by the Government;
8. to temporarily suspend the activities of the security exchange in case of irregular fluctuation of securities trading or when the socio-economic situation is not appropriate for the operation of the securities exchange;
9. to grant an approval for establishment, suspension and dissolution of securities companies, asset management companies, domestic securities companies, branches and service centers of domestic securities companies;
10. to approve, suspend and revoke an approval of audit companies, credit rating agencies, custodian banks and the securities business association;
11. to approve, suspend, and revoke issuance of securities;
12. to grant an approval for establishment and dissolution of public funds;
13. to investigate cases relating to securities;
14. to suspend operation of securities accounts or cash accounts relating to operation of securities activities when there is any violation of the laws and regulations;
15. to apply administrative measures to persons and juristic persons who violate this Law and other relevant laws and regulations;
16. to resolve any disputes relating to securities activities;
17. to prepare a case file to forward to the people's prosecutor for prosecution pursuant to the judicial procedures;
18. to collaborate with foreign countries and international organizations in relation to the supervision and development of securities activities;
19. to summarize and report its activities to the Government regularly; and
20. to exercise other rights and perform other duties as assigned by the Government.

### **Article 153 Method of Work of SC**

The SC operates its activities based on meetings. Meetings of the SC consist of ordinary meetings and extraordinary meetings. Ordinary meetings shall be held once every three months, and extraordinary meetings may be held at any time, if necessary, as per summons of the chairman of the SC or requests from more than half of the commissioners.

Meetings of the SC can be convened when there are more than half of all of the members attending the meeting.

Resolutions of meetings of the SC are passed by majority votes of the members attending the meeting. In case where the votes are tie, the chairman of the SC shall have a casting vote.

## **Chapter 2**

### **Inspection of Securities Activities**

#### **Article 154 Securities Inspection Authority**

The SC is the securities inspection authority, whose duties are to monitor and inspect operation of issuers, listed companies, the securities exchange, public funds, securities intermediaries, securities professionals and other relevant entities.

#### **Article 155 Inspection Targets**

Targets of inspection comprise issuers, listed companies, the securities exchange, public funds, securities intermediaries and other relevant entities.

#### **Article 156 Contents of Inspection**

The securities inspection authority is entitled to thoroughly inspect targets of inspection, e.g. inspection of business operation, electronic systems and inspection of compliance with the relevant laws and regulations.

#### **Article 157 Methods of Inspection**

**There are three methods of inspection as follows:**

1. regular inspection;
2. inspection by giving a prior notice; and
3. sudden inspection.

Regular inspection is an inspection conducted according to plan, regularly and periodically.

Inspection by giving a prior notice is an inspection conducted out of plan when necessary, whereby inspection targets shall be notified in advance.

Sudden inspection is an urgent inspection without giving any prior notice to inspection targets.

Inspection consists of off-site inspection and on-site inspection. Inspection shall be strictly performed in compliance with the laws and regulations.

#### **Article 158 Inspection Committee**

The SC shall appoint each inspection committee which comprises employees from the relevant departments of the SC and representatives of other relevant parties, if necessary.

The decision to appoint the inspection committee shall clearly specify the objectives, goals, scopes and term of inspection.

#### **Article 159 Rights and Duties of Inspection Committee**

**The inspection committee shall have the rights and duties as follows:**

1. to inspect targets as specified in the decision to appoint the inspection committee;
2. to inspect books of record, account books, documents, electronic information, and other records relating to securities business operation of targets;
3. to request for additional information and documents from targets and other relevant parties;
4. to call or invite members of boards of directors, executive committees, division directors, technical staff and other relevant persons to provide information relating to inspection as well as to record such provision of information;
5. to inspect place of business operation, document storage, and other software of targets and other relevant parties;
6. to propose the SC to implement any temporarily measure to ensure the performance of duties of the inspection committee in order to protect rights and benefits of persons, juristic persons and organizations;
7. to collaborate with other relevant sectors and parties in inspection of targets;
8. to summarize and report results of inspection to the SC and to take responsibility for its inspection results; and
9. to exercise other rights and perform other duties as prescribed by the laws and regulations.

#### **Article 160 Obligations of Inspection Targets and Relevant Parties**

Inspection targets and relevant parties have the obligations to cooperate in conduct of duties and provision of information as requested by the inspection committee.

#### **Article 161 External Inspection**

External inspection is an inspection of the performance of duties of the SC for strength, transparency and fairness.

##### **The external inspection comprises the following:**

1. the inspection by the National Assembly as prescribed by the Law on the Oversight by the National Assembly;
2. the inspection by the Government Inspection and Anti-Corruption Authority as prescribed by the Law on State Inspection and the Law on Anti-Corruption; and
3. the inspection by the State Audit Organization as prescribed by the Law on State Audit.

### **Part XI**

#### **Budget, Logo and Seal of Securities Supervisory Authority**

##### **Article 162 Budget**

The budget of the securities supervisory authority shall be utilized from the state budget.

##### **Article 163 Logo and Seal of Securities Supervisory Authority**

The securities supervisory authority shall have its own logo and seal to use for its official operation.

### **Part XII**

#### **Policy on Persons with Achievement and Sanctions against Violators**

##### **Article 164 Policy on Persons with Achievement**

Persons, juristic persons or organizations who are outstanding in implementation of this Law, e.g. the development of capital market, provision of information relating to violation of the laws and regulations relating to securities activities shall receive rewards or other bonuses as prescribed by the regulations.

##### **Article 165 Sanctions against Violators**

Persons, juristic persons and organizations who are in violation of this Law and other relevant laws and regulations resulting in damage to the State, the society, persons or juristic persons shall be educated, disciplined, fined, responsible for civil damages or sentenced to criminal offences depending on the severity of the case.

#### **Article 166 Educate Sanctions**

Persons, juristic persons and organizations who are in violation of the laws and regulations relating to security activities for the first time with a minor offence and caused damage not exceeding five hundred thousand Kip, shall be warned and educated.

#### **Article 167 Disciplinary Sanctions**

The executives and the employees of the SC who violate the prohibitions as prescribed in Article 142 of this Law and other relevant laws and regulations, which are not criminal offences, shall be subject to the following disciplinary sanctions as the case may be:

1. warning;
2. suspension of level of salary;
3. dismissal or demotion;
4. dismissal from government office without any benefits.

The persons subject to disciplinary sanctions shall return all the wrongfully acquired assets to the organization they belong to.

#### **Article 168 Fine Sanctions**

**Persons, juristic persons or organizations who are in violation of the laws and regulations relating to the security activities shall be fined in the following manner:**

1. market manipulation: a fine of three times of the profit gained from such market manipulation shall be applied, and in case there is no profit gained or profit gained of less than ten million Kip, a fine of fifteen million Kip to twenty-five million Kip shall be applied. In case where market manipulation is undertaken by a juristic person, executives and persons with direct involvement shall be subject to a fine of ten million Kip to twenty million Kip;

2. insider trading as prescribed in Item 2 of Article 135 of this Law: a fine of three times of the profit gained from securities trading shall be applied. In case there is no profit gained or profit gained of less than ten million Kip, a fine of fifteen million Kip to twenty-five million Kip shall be applied; and

3. utilization and allowance of utilization of accounts and names of other persons or juristic persons for securities trading: a fine of three times of the profit gained from such conduct shall be applied. In case there is no profit gained or the revenue of less than fifty million Kip is gained, a fine of fifteen million Kip to twenty-five million Kip shall be applied;

**4. securities issuance:**

4.1 issuance of securities without obtaining an approval: a fine of three percent of raised funds shall be applied and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

4.2 issuance of securities based on provision of inaccurate information or falsification of information in any form: a fine of seventy million Kip to one hundred million Kip shall be applied. In case where securities have not yet been issued, a fine of three percent of the funds which have been raised shall be applied and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

4.3 utilization of subscription proceeds or raised funds prior to an approval or utilization of proceeds not in accordance with a utilization plan: a fine of thirty million Kip to fifty million Kip shall be applied and persons with direct involvement, including controlling persons of a company, shall be subject to a fine of fifteen million Kip to twenty-five million Kip.

## **5. operation of securities companies and securities professionals:**

5.1 provision of underwriting service or selling agent service not in compliance with the laws and regulations shall be subject to a fine as follows:

- in case where the revenue of more than fifty million Kip is gained, a fine of three times of the revenue gained from such services shall be applied;
- in case where there is no revenue or the revenue of less than fifty million Kip is gained, a fine of seventy million Kip to one hundred million Kip shall be applied; and
- executives and persons with direct involvement shall be subject to a fine of fifteen million Kip to twenty-five million Kip.

5.2 provision of underwriting service or financial advisory service to companies which hold shares in them or in which they hold shares more than ten percent of the total shares: a fine of three times of the revenue gained from such services shall be applied;

5.3 advertisement of sale of securities not in compliance with contents specified in a prospectus or inaccurate which misleads the investors: a fine of thirty million Kip to fifty million Kip shall be applied;

5.4 creation, development and provision of securities products to the public without obtaining an approval: a fine of thirty million Kip to fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

5.5 securities trading, utilization of money or securities of customers without permission shall be subject to a fine as follows:

- in case where the profit of more than ten million Kip is gained, a fine of three times of such profit shall be applied;
- in case where there is no profit gained or the profit gained of less than ten million Kip, a fine of fifteen million Kip to twenty-five million Kip shall be applied;
- executives and persons with direct involvement shall be subject to a fine of fifteen million Kip to twenty-five million Kip;



5.6 dissemination and utilization of customers' information for their own or others' benefits: a fine of fifteen million Kip to thirty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of fifteen million Kip to twenty-five million Kip;

5.7 giving priority in securities trading to themselves over customers: a fine of thirty million Kip to fifty million Kip shall be applied.

**6. asset management companies and fund managers:**

6.1 executives of asset management companies and fund managers holding any position in custodian banks or other asset management companies or involving in securities transactions or other transactions that caused damage to assets of public funds and to benefits of unitholders shall be subject to a fine of seventy million Kip to one hundred million Kip;

6.2 establishment of public funds without obtaining an approval: a fine of fifty million Kip to eighty million Kip shall be applied;

6.3 fundraising prior to an approval: a fine of three percent of the raised funds shall be applied;

6.4 borrowing of asset for public funds or lending assets of public funds to other persons or juristic persons: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.5 utilization of assets of one public fund to invest in another public fund under their management or purchase of shares or bonds of custodian banks providing services to them and other asset management companies: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.6 utilization of assets of public funds to purchase securities of any company which is a controlling shareholder of a asset management company or a custodian bank that is related to public funds: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.7 utilization of raised funds prior to an approval from the SC or investment in businesses which have not been approved: a fine of one hundred million Kip to one hundred and fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.8 utilization of assets of public funds to guarantee a loan for themselves, a person or a juristic person and to make debt repayment, including in case where an asset management company is bankrupt: a fine of one hundred million Kip to one hundred and fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.9 commingling of their assets accounts or assets accounts of others with assets accounts of public funds under their management: a fine of one hundred million Kip to one hundred and fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.10 unfair management of assets of public funds under their management: a fine of one hundred million Kip to one hundred and fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.11 utilization of assets of public funds for their own or others' benefits who are not unitholders of such public funds: a fine of one hundred million Kip to one hundred and fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

6.12 maintenance and supervision of assets of public funds by themselves: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip.

**7. custodian banks:**

7.1 holding of shares in or lending to asset management companies that they provide services to: a fine of seventy million Kip to one hundred million Kip shall be applied;

7.2 investment or trading of public fund units of public funds that they provide services to: a fine of seventy million Kip to one hundred million Kip shall be applied;

7.3 provision of custodian services to asset management companies which hold shares in them or in which they hold shares: a fine of seventy million Kip to one hundred million Kip shall be applied;

7.4 commingling of assets accounts of their customers or commingling of assets accounts of the customers with their own assets account: a fine of one hundred million Kip to one hundred and fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

7.5 being members of boards of directors of asset management companies that they provide services to: a fine of seventy million Kip to one hundred million Kip shall be applied.

8. audit companies and auditors that audit targets as prescribed in Article 140 of this Law shall be subject to a one-time fine of the revenue obtained from the audit.

**9. the securities exchange:**

9.1 operation and transfer of any business of the securities exchange to other person(s) or juristic person(s) without obtaining an approval: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

9.2 investment in any business or enterprise without obtaining an approval: a fine of three times of the revenue received from such investment shall be applied. In case where there is no revenue or the revenue of less than ten million Kip is gained, a fine of thirty million Kip to fifty million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

9.3 notification or dissemination of inaccurate information which affects securities, investors and the securities exchange: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

9.4 disclosure or utilization of information of its members for its own or others' benefits: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

9.5 allowance of securities trading on the securities exchange during the trading or transfer restriction period: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

9.6 utilization of securities accounts of its members and members of the securities depository for its own or others' benefits: a fine of seventy million Kip to one hundred million Kip shall be applied. Executives and persons with direct involvement shall be subject to a fine of thirty million Kip to fifty million Kip;

10. issuers and listed companies which do not comply with good corporate governance shall be subject to a fine of seventy million Kip to one hundred million Kip.

Other violations of this Law which are not described in this Article shall be subject to a fine pursuant to the specific regulations of the SC.

#### **Article 169 Civil Sanctions**

Persons, juristic persons and organizations who are in violation of the laws and regulations and the prohibitions causing damage to other persons shall be liable for payment of the actual damages they have caused.

#### **Article 170 Criminal Sanctions**

Instigation to customers to make decision to trade securities unreasonably for its own benefits or promise in relation to return on securities trading as prescribed in Item 7 of Article 137 of this Law, a sentence of three months to one year imprisonment and a fine of thirty million Kip to fifty million Kip shall be applied.

Falsification and provision of information as prescribed in Item 3 of Article 135 of this Law, a sentence of six months to three years imprisonment and a fine of three hundred million Kip to five hundred million Kip shall be applied.

**Article 171 Additional Punishment Sanctions**

In addition to the primary punishment as prescribed in Article 170 of this Law, violators shall be subject to additional punishment sanctions as the case may be, e.g. limitation on operation of securities activities, partial or entire suspension of business operation, revocation of a certificate of incorporation or a securities business professional license and confiscation of assets.

**Part XIII**

**Final Provisions**

**Article 172 Implementation**

The Government of the Lao People’s Democratic Republic shall implement this Law.

**Article 173 Effectiveness**

This Law shall be effective sixty days after the date of the promulgating decree is issued by the President of the Lao People’s Democratic Republic.

Any regulations and provisions that contradict this Law shall be void.

President of the National Assembly

*[Seal and Signature]*

Pany YATHOTOU