



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

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Lao Securities Commission

Ref. No. 002/SEC
Vientiane capital, dated: 18 Feb 2014

Regulation on Inspection of Securities Activities

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

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

**Section 1
General Provisions**

Article 1 Objectives

This Regulation interprets Section 2, Part X of the Law on Securities, and sets forth additional principles, methods, procedures and measures governing the inspection of securities activities in order to monitor the operations of target inspected entities to ensure the compliance with laws and regulations for effectiveness, transparency, fairness

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

and stability of operations of securities activities, and to protect legitimate rights and interests of investors.

Article 2 Scope of Application

This Regulation is applicable to the Lao Securities Commission Office and target inspected entities, consisting of issuing companies, listed companies, securities intermediaries, Securities Exchange, persons and juristic persons and concerned parties.

Article 3 Inspection Principles

The inspection of securities activities shall follow the following principles:

1. Strict compliance with laws and regulations;
2. Equality, objectivity and transparency;
3. Assurance of accuracy, fairness and timeliness ;
4. Involvement of concerned parties;
5. Non-obstruction of regular operations of entities to be inspected;
6. Confidentiality.

Article 4 Rights and Obligations of Contributed Parties to Inspection

Issuing companies, listed companies, securities intermediaries, securities professionals, securities exchange, law firms, mass media, investors, persons, juristic persons and concerned parties have the rights and obligations to contribute to the inspection of securities activities by participating, facilitating, reporting, providing information and evidence in a timely manner, including cooperating for successful implementation of notifications on results of inspections.

Article 5 Form of Inspection

There are two forms of inspection, namely offsite inspection and onsite inspection.

**Section 2
Offsite Inspection**

Article 6 Offsite Inspection

Offsite inspection is a periodic inspection of information and documents provided by target inspected entities to or following the request from the Lao Securities Commission Office in the form of hard copy or via electronic means in order for the Lao Securities Commission Office to analyse, assess risks and inspect the implementation of laws and regulations related securities operations of target inspected entities.

Article 7 Offsite Inspection Staff

Offsite inspection staff is staff of the Lao Securities Commission Office, mandated to study and analyse information and documents as defined in Article 6 of this Regulation.

Article 8 Rights and Duties of Offsite Inspection Staff

Offsite inspection staff has the following rights and duties:

1. Collect and compile information and documents related inspection scope;
2. Research and analyse information and documents collected and report to the Secretary-General of the Lao Securities Commission Office;
3. Request for information and documents related inspection scope from target inspected entities;
4. Fulfill other rights and duties as assigned by the Secretary-General of the Lao Securities Commission Office.

Article 9 Offsite Inspection Scope

Scope of offsite inspection is based on each target inspected entity, which varies from entity to entity as defined in Articles 10, 11, 12, 13, 14, 15 and 16 of this Regulation.

Article 10 Offsite Inspection Scope of Issuing Companies or Listed Companies

Offsite inspection scope of issuing companies or listed companies consists of:

1. Periodic reports;
2. Urgent reports of issuing companies or listed companies;
3. Financial Statements;
4. Periodic business plan;
5. Use of proceeds from securities issuance;
6. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 11 Offsite Inspection Scope of Securities Companies

Offsite inspection scope of securities companies consists of:

1. Periodic reports;
2. Urgent reports of securities companies;
3. Financial Statements;
4. Periodic business plan;
5. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 12 Offsite Inspection Scope of Representative Offices of Securities Companies

Offsite inspection scope of representative offices of securities companies consists of:

1. Semi-annual and annual reports on business operations;
2. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 13 Offsite Inspection Scope of Asset Management Companies

Offsite inspection scope of asset management companies consists of:

1. Periodic reports;
2. Urgent reports of asset management companies;
3. Financial Statements;
4. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 14 Offsite Inspection Scope of Custodian Banks

Offsite inspection scope of custodian banks consists of:

1. Periodic reports;
2. Urgent reports of custodian banks;
3. Financial Statements;
4. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 15 Offsite Inspection Scope of Audit Firms and Auditors

Offsite inspection scope of audit firms and auditors consists of:

1. Periodic reports;
2. Urgent reports of audit firms and auditors;
3. Financial Statements;
4. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 16 Offsite Inspection Scope of Securities Exchange

Offsite Inspection scope of Securities Exchange consists of:

1. Periodic reports;
2. Urgent reports of Securities Exchange;
3. Financial Statements;
4. Periodic business plan;
5. Other documents deemed necessary as defined by the Lao Securities Commission Office.

Article 17 Offsite Inspection Process

The process of offsite inspection is as follows:

1. To summarise information and documents provided by target inspected entities to the Lao Securities Commission Office in the form of hard copy or via electronic means, and to request for additional information where deemed necessary;
2. To conduct risk analysis and assessment based on received information and evidence;
3. To summarise results of offsite inspection;
4. To report on offsite inspection.

Article 18 Risk Analysis and Assessment

The conduct of risk analysis and assessment shall focus on the following scope:

1. Overall operations of target inspected entities;
2. Financial statements analyses of target inspected entities;
3. Risk assessment of target inspected entities.

Article 19 Summary of Offsite Inspection

The summary of offsite inspection results shall follow procedures and have contents as follows:

1. To produce a summary report on offsite inspection results by assessing the contents defined in Article 18 of this Regulation;
2. The chief of the concerned division of the Lao Securities Commission Office shall sign a summary report on offsite inspection results.

A summary report on offsite inspection results shall be completed within 15 days from the receipt of correct and complete documents.

Article 20 Reporting on Offsite Inspection Results

After signing of a report on offsite inspection results by the chief of the concerned division of the Lao Securities Commission Office, such a report shall be sent to the Secretary-General of the Lao Securities Commission Office immediately.

In case where the results of offsite inspection require the target inspected entity to resolve some issues stated in the report, the Secretary-General of the Lao Securities Commission Office shall notify the target inspected entity to address the issues accordingly.

In case where the results of offsite inspection show that the target inspected entity has violated laws and regulations and there is a need to undertake investigation, the Secretary-General of the Lao Securities Commission Office shall notify the concerned division to act according to procedures stipulated in applicable laws and regulations.

Article 21 Resolving Issues on Results of Offsite Inspection

After the target inspected entity has been notified on the offsite inspection results, it shall establish a plan to address each issue raised in the Notification together with a

detailed timeframe for implementation, and inform the Lao Securities Commission Office within 10 working days from the receipt of the Notification.

Section 3 Onsite Inspection

Article 22 Onsite Inspection

Onsite inspection is compilation of information and documents at premises of target inspected entities, including interview, discussion or consultation.

Onsite inspection consists of 3 forms as defined in Article 157 of the Law on Securities.

Article 23 Rights and Duties of Onsite Inspection Team

Apart from having rights and duties as defined in Article 159 of the Law on Securities, the onsite inspection team shall have additional rights and duties as follows:

1. To develop plan, assign responsibilities within its team members and conduct the inspection according to objectives, targets, scope and timeframe of inspection;
2. To coordinate with organizations, persons, juristic persons to obtain information and documents related inspection scope;
3. To discuss and interview staff of target inspected entities and record voice during the discussion;
4. To draft reports on daily inspection signed by the inspection team and person assigned by target inspected entity;
5. To report on progress of results of inspection;
6. To develop a report on inspection results to report to the Secretary-General of the Lao Securities Commission Office.

Article 24 Onsite Inspection Scope

Scope of onsite inspection is based on each target inspected entity, which varies from entity to entity as defined in Articles 25, 26 and 27 of this Regulation.

Article 25 Onsite Inspection Scope of Issuing Companies or Listed Companies

Scope of onsite inspection of issuing companies or listed companies consists of:

1. Business takeover;
2. Acquisition and disposition of assets;
3. Related parties transaction;
4. Share repurchase and sale of shares buybacks;
5. Fulfillment of rights and duties of board of directors, internal inspection committee, executives, internal control system according to corporate governance principles;
6. Implementation of disclosure regulations;
7. Accounting and audit;
8. Organisation of shareholders' meetings and board of directors' meetings;

9. Implementation of dividend distribution;
10. Other issues found from offsite inspection or reliable information sources;
11. Compliance with laws and regulations related securities;
12. Other contents deemed necessary as defined by the Lao Securities Commission Office.

Article 26 Onsite Inspection Scope of Securities Companies

Scope of onsite inspection of securities companies consists of:

1. Organisation structure of securities company;
2. Internal control system;
3. Implementation of business plan;
4. Risk management system;
5. Development of plan to cope with business emergency matters;
6. Maintenance of financial liquidity and capital adequacy;
7. Securities operations in the form of financial advisory related securities;
8. Securities operations in the form of securities brokerage;
9. Securities operations in the form of underwriter;
10. Company's investment in securities;
11. Settlement of complaints and disputes of clients;
12. Issues found from offsite inspection or reliable information sources;
13. Compliance with securities related laws and regulations;
14. Other contents deemed necessary as defined by the Lao Securities Commission Office.

Article 27 Onsite Inspection Scope of Securities Exchange

Scope of onsite inspection of Securities Exchange consists of:

1. Organisation structure of Securities Exchange;
2. Internal control system;
3. Implementation of business plan;
4. Risk management system;
5. Development of plan to cope with business emergency matters;
6. Management of members;
7. Provision of securities registration services;
8. Compliance with reporting and information disclosure requirements;
9. Management of securities trading system;
10. Surveillance of securities trading to detect unfair trading;
11. Securities depository, clearing and settlement and delivery versus payment services;
12. Management of IT system and security system;
13. Management of Risk Protection Fund;
14. Issues found from offsite inspection or reliable information sources;
15. Compliance with laws and regulations related securities;
16. Other contents deemed necessary as defined by the Lao Securities Commission Office.

Article 28 References for Onsite Inspection Decision

References for onsite inspection Decision are as follows:

1. Onsite inspection plan of the Lao Securities Commission Office;
2. Instruction, Notification or Decision of the Lao Securities Commission Chairman;
3. Proposal of investors or stakeholders or other persons;
4. Discovery of suspicious behavior that may violate or behavior that violates laws and regulations.

Article 29 Process of Onsite Inspection

The onsite inspection shall follow the process as follows:

1. Issue Decision on appointment of onsite inspection team;
2. Prepare for onsite inspection;
3. Conduct onsite inspection;
4. Summarise onsite inspection results;
5. Report on onsite inspection results.

Article 30 Issuance of Decision on Appointment of Onsite Inspection Team

The Secretary-General of the Lao Securities Commission Office shall issue a Decision on appointment of onsite inspection team, consisting of staff from the concerned divisions of the Lao Securities Commission Office and representatives from other concerned parties where deemed necessary.

Contents of the Decision shall consist of references, objectives, target inspected entities, scope, contents and timeframe for onsite inspection.

Article 31 Preparation of Onsite Inspection

The preparation prior to conducting onsite inspection has the procedures as follows:

1. To prepare legislations, documents and develop inspection plan in line with objectives and scope of inspection as well as develop a detailed working schedule;
2. To prepare budget, vehicles and necessary equipment;
3. To brief the onsite inspection team on objectives, targets, contents of inspection and the team leader shall segregate duties among its team members.

Article 32 Conduct of Onsite Inspection

The conduct of onsite inspection has procedure as follows:

1. To communicate the Decision on and plan of onsite inspection to the target inspected entity at least 5 working days prior to inspection, except for the case of urgent onsite inspection;
2. To meet with the management of the target inspected entity;
3. To work with concerned divisions of the target inspected entity;
4. To produce daily report on inspection;
5. To organize meetings among onsite inspection team when deemed necessary;

6. To summarise and report on results of onsite inspection.

Article 33 Summary of Onsite Inspection

The summary of onsite inspection results shall follow processes and have contents as follows:

1. To draft a summary report on onsite inspection based on assessment of each content of inspection, including recommendations on measures and methods to address concerned issues according to laws and regulations within 15 days from the date of completion of onsite inspection;
2. The onsite inspection team shall send the summary report to the target inspected entity for comments within 5 days from the date the inspected entity receives the summary;
3. The onsite inspection team and target inspected entity shall organize a meeting to finalize, comment and confirm the summary report within 5 days from the date the target inspected entity completes the comment on the summary report;
4. The head of onsite inspection team and executive of the target inspected entity shall sign the summary report on onsite inspection within 5 days from the completion of the meeting with the target inspected entity.

The summary report on onsite inspection shall be completed within 30 days from the completion of onsite inspection.

Article 34 Reporting on Onsite Inspection Results

After signing of onsite inspection report by the onsite inspection team and executive of the target inspected entity, the report shall be sent to the Secretary-General of the Lao Securities Commission Office immediately together with documents, information, records and evidence obtained from onsite inspection.

Article 35 Timeframe for Onsite Inspection

A periodic onsite inspection shall be completed within 30 days from the issuance of Decision on appointment of onsite inspection team. In case where the inspection cannot be completed within the given timeframe, the time may be extended according to the approval of the Secretary-General of the Lao Securities Commission Office. As to the timeframe for onsite inspection based on prior notification and urgent onsite inspection, they shall be considered on a case by case basis.

Article 36 Consideration of Onsite Inspection Results

The Secretary-General of the Lao Securities Commission Office shall consider the results of onsite inspection within 30 days from the receipt of the summary report. After that, the Lao Securities Commission Office shall issue a Notification on results of onsite inspection, comprising recommendations to address concerned issues to target inspected

entities within 5 working days from the completion of considering results of onsite inspection.

Article 37 Solutions to Address Issues Concerning Onsite Inspection Results

After the receipt of Notification of the results of onsite inspection, the target inspected entity shall develop a plan to address each issue identified in the Notification with detailed timeframe and inform the Lao Securities Commission Office within 20 working days from the receipt of the Notification.

**Section 4
Rights and Obligations of Target Inspected Entities**

Article 38 Rights of Target Inspected Entities

Target inspected entities have the following rights:

1. To report to the Lao Securities Commission Office on the performance of duties of onsite inspection team and to propose changes in onsite inspection team in the case where the team does not fulfill its rights and duties in compliance with applicable regulations and principles;
2. To improve and adjust contents of the summary report on onsite inspection results in the case where the contents of the report does not reflect on actual situations.

Article 39 Obligations of Target Inspected Entities

In addition to the obligations stipulated in Article 160 of the Law on Securities, target inspected entities shall have additional obligations as follows:

1. To cooperate with inspection team in providing information and documents, including electronic documents, voice records, interview in a complete, clear, correct and on a timely manner;
2. To explain, clarify all issues relating to contents of inspection as required by inspection team;
3. To facilitate inspection team, such as arrangement of working space and equipment necessary for inspection;
4. To provide comments on the summary report on inspection results, where deemed that the report does not reflect on actual situations within 5 days from the receipt of the report;
5. To attend a meeting to discuss with inspection team to finalize the summary report on inspection results within 5 days from the date of completing the comments on the summary report;
6. To sign the summary report on inspection results within 5 days from the completion of the meeting with the inspection team;
7. To develop a plan to address issues identified in the Notification on inspection results and detailed timeframe for implementation;
8. To report on progress of addressing concerned issues defined in Paragraph 7 of this Article to the Lao Securities Commission Office from time to time.

Section 5 Prohibition

Article 40 Prohibition for Inspection Team

The inspection team is prohibited from conducting any of the following actions:

1. Force and threaten target inspected entities;
2. Behave inappropriately toward target inspected entities or protect target inspected entities;
3. Reveal confidential information found during conducting inspection, except for the case where there is legally enforceable demand in writing from concerned authorities;
4. Demand, ask for, receive or agree to take bribery or other interests from target inspected entities and other related persons;
5. Conduct other actions that violate laws and regulations.

Article 41 Prohibition for Target Inspected Entities

Target inspected entities are prohibited from conducting any of the following actions:

1. Refuse to provide information and documents, including electronic documents, records of voice and interview related inspection;
2. Report, provide untrue information and documents, conceal, destroy or counterfeit documents, voice records, electronic database and evidence relating to inspection;
3. Refuse the inspection of operational areas and electronic equipments, including IT system;
4. Obstruct, create difficulties, threaten the inspection team or suppliers of information to the inspection team or other related persons;
5. Have behavior that impedes or prolongs time of inspection such as delaying the provision of information or providing incomplete information, taking no responsibility to cooperate with the inspection team;
6. Give bribery or other interests to the inspection team, suppliers of information to the inspection team or other related persons;
7. Conduct other actions that violate laws and regulations.

Article 42 Prohibition for Persons and Organizations

Persons and organizations are prohibited from conducting any of the following actions:

1. Manipulate to bring about inspection or not to have inspection;
2. Interfere, disturb and obstruct inspection;
3. Conceal, hide or destroy information and evidence related inspection;
4. Force and threaten the inspection team, suppliers of information to the inspection team or other related persons;

5. Protect and conceal persons and juristic persons which are target inspected entities;
6. Reveal confidential information and use information relating to inspection without prior approval;
7. Conduct other behaviors that violate laws and regulations.

Section 6

Awards for good Performers and Measures against Violators

Article 43 Awards for good Performers

Persons and juristic persons which are outstanding in implementing this Regulation shall be rewarded or receive other policies following specific regulations.

Article 44 Measures against Violators

Persons, juristic persons and organizations which violate this Regulation and other related laws and regulations, resulting in damages to State, society, persons or juristic persons shall be educated, disciplined, fined, responsible for repayment of damages or criminal charges in accordance with conditions of offences and levels of violation as stipulated in Article 166, 167, 168, 169, 170 and 171 of the Law on Securities.

Section 7

Final Provisions

Article 45 Implementation

The Lao Securities Commission Office, issuing companies, listed companies, securities intermediaries, Securities Exchange, securities professionals, persons, juristic persons and concerned parties shall acknowledge and strictly implement this Regulation within its scope of rights and duties.

Article 46 Effectiveness

This Regulation shall replace the Regulation on Inspection of Securities Activities, Ref. No. 372/LSEC, dated 24 February 2012.

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

Chairman of the Lao Securities Commission

(Signed and Sealed)

Somsavat Lengsavat