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Bank of the Lao PDR

# NEWS

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## Unlawful financial institutions warned of legal action

Dr Somphao Phaysith, Governor of the Bank of the Lao PDR admits that some businesses are acquiring capital illegally. Illegal financial institutions that have sourced funds by offering abnormally high interest rates will face legal measures. The Governor of the Bank of the Lao PDR has warned.

Governor of the Bank of the Lao PDR, Dr Somphao Phaysith, told the ongoing ordinary session of the National Assembly (NA) that 24 institutions have been found acquiring deposits illegally. He said the Bank has issued a notice instructing these institutions to cease their illegal activities, but some are still operating.

Dr Somphao was responding to questions raised by NA members after learning that these financial bodies had carried out unlawful campaigns to persuade people to deposit money with them. Some entities have offered interest rates as high as 9 percent a month.

NA members raised concerns over the potential risks, fearing that people will be tempted by such offers and end up losing their money.

Parliament member for Huaphan province, Mr Khamvone Bounthavong, said three enterprises were reported to operational mobilize funds in the northern province. He said these businesses had opened accounts at a branch of a Lao bank in Huaphan as a channel to transfer interest to their customers.

Middlemen helping these operations to source funds are given 5 percent of the money they drum up, Mr Khamvone said.

“A number of people and some state officials have deposited money with them,” he said, calling for the Bank of the Lao PDR to look into the matter.

Mr Khamvone said the Bank of the Lao PDR was aware of this issue because bank in Huaphan had alerted officials to the situation.

“Some operations have persuaded as many as 200,000 people to deposit money with them,” Dr Somphao said, adding that as much as 6 to 9 percent in interest had been offered.

Given that these businesses have offered such a high rate of interest, the Governor believed they would be unable to survive.

Dr Somphao said the Bank of the Lao PDR had carried out inspections in some provinces. Some 19 out of the 24 institutions have been licensed by the Ministry of Industry and Commerce and the activities they were allowed to operate were outlined. But it was found that they were mobilizing funds from members of the public, which was a banking operation and they were not entitled to do so, Dr Somphao explained.

The remaining five transnational institutions were also sourcing funds in Laos without permission and appeared to have no offices in the country.

Dr Somphao admitted it was hard to regulate these five institutions when they did not have offices in Laos.

Despite the fact that the banks of the Lao PDR has instructed these institutions to cease their illegal operations, some were continuing to breach the regulations.

“ To address this issue, the relevant sectors need to step up coordinated action and strictly enforce the law,” he said.

“Those found to be in violation must face measures in accordance with the law,” he added.

Enterprises wanting to operate as financial institutions are required to undergo the proper procedures and legalize their businesses, Dr Somphao said.

There are currently 158 legal financial institutions operating under the supervisor of the Bank of the Lao PDR.

News: Administration Department

