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**Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity**

Presidential Decree Law No. 01/P, March 17, 2008

**Governing the Management of Foreign Exchange
and Precious Metals.**

- In reference to the Constitution of the Lao People's Democratic Republic, No. 25/LNA, date May 6, 2003;
- In reference to the Law on the Government of the Lao People's Democratic Republic, No.02/LNA, date May 6, 2003;
- In reference to the Law on the Bank of the Lao People's Democratic Republic, No. 05/LNA, dated October 14, 1999.

The President

Of the Lao People's Democratic Republic issues the Decree Law:

Section I

General Provisions

Article 1. Purposes

This Decree Law is issued to determine the regulations and principles governing foreign exchange and precious metals. It aims to maintain the stability of the exchange rate between the local currency, the Kip and the foreign currencies; to promote the circulation of merchandise-money within the country, to protect the independence of the national currency and to stabilize its value, to broaden the external economic relation and cooperation that aim to contribute to the national socio-economic development of the Lao PDR.

Article 2. Definitions

Terms used in this Decree Law are defined as follows:

- “Currency” means the Lao national currency whose unit of value is Kip;
- “Foreign exchange” means the bank notes, the traveler's checks, other commercial papers expressed in foreign currencies and precious metals which are acceptable for international settlements;
- “Exchange rate” means price of currency in Kip required to buy or sell one unit of the foreign currency.
- “Legal person” means a business entity;
- “Commercial paper” means all types of bank checks and payment orders, bills of exchange, promissory notes, other documents or means for debt settlement equivalent to foreign exchange that can be tradable or used for the international settlements;
- “Cash in foreign exchange” means the bank notes, the traveler's checks and other documents which are equivalent to cash;
- “Precious metal” means gold which may be used as a means for international settlement;
- “Commercial bank” means a licensed corporate entity conducting a banking business in accordance with the laws of the Lao PDR;
- “Resident of the Lao PDR” means:
 - (1). A person, a legal person being either a Lao or a foreigner residing in the Lao PDR conducting a licensed and registered business there in accordance with the laws of the Lao PDR; and a representative office of the aforementioned legal person located abroad;
 - (2). A Government organization, a civil society organization of the Lao PDR operating both inside and outside the Lao PDR;
 - (3). A Lao citizen residing in the Lao PDR;
 - (4). A Lao citizen residing abroad for less than one year;
 - (5). A Lao diplomatic personnel working at the Lao Embassy, Lao Consular and international organization abroad;

- (6). A Lao citizen studying and receiving a medical treatment abroad;
- (7). A foreigner or a non-citizenship individual having been lived permanently in the Lao PDR;
- (8). A foreigner working in the Lao PDR for more than one year, other than the diplomatic personnel of the foreign embassy and consular or international organization.

- “Non-resident of the Lao PDR” means:

- (1). A person, a legal person residing abroad;
- (2). A foreign embassy, a consular, an international organization and their personnel; a foreign advisor, a foreign expert working in the Lao PDR, including their family members;
- (3). A foreigner living in the Lao PDR for less than one year;
- (4). A foreigner studying, traveling, visiting and receiving a medical treatment in the Lao PDR;
- (5). A representative office of a foreign legal person residing in the Lao PDR;
- (6). A Lao citizen living abroad for more than one year.

In case of encountering difficulty in classifying a person or a legal person to any of the foregoing category, a recommendation shall be addressed to the Governor of the Bank of the Lao PDR for consideration.

Article 3. The Use of Foreign Exchange

A person, a legal person shall not directly pay nor receive in foreign exchange for the goods and services rendered to them or by them, nor settle the debts in foreign exchange within the Lao territory except for the case where the Bank of the Lao PDR has proposed and approved by the Government.

A holder of foreign exchange who is in need to make payment within the Lao PDR shall change to Kip at a commercial bank or at an authorized foreign exchange bureau by the Bank of the Lao PDR.

Those who need to use foreign exchange for any of the objectives stipulated in the Article 5 of this Decree Law may purchase foreign exchange at a commercial bank or a foreign exchange bureau in accordance with the regulations of the Bank of the Lao PDR.

The price mark-up of a good and a service including the value of financial obligations to the Government shall be made in Kip except for the case where the bank of the Lao PDR has proposed and approved by the Government.

Section II

Foreign exchange trading

Article 4. Purchase and Sale of Foreign Exchange

A person, a legal person shall purchase or sell foreign exchange through a commercial bank or a licensed foreign exchange bureau by the Bank of the Lao PDR.

A commercial bank has the right to buy banknotes, travelers' checks and commercial papers equivalent to foreign exchange that may be tradable or used for the international settlements. A licensed foreign exchange bureau has the right to buy banknotes and traveler's checks equivalent to foreign exchange from the public in accordance with the regulations of the Bank of the Lao PDR.

A commercial bank may participate in trading the foreign exchange in the inter-bank market and may sell foreign exchange to the public in accordance with the regulations promulgated by the Bank of the Lao PDR.

The Bank of the Lao PDR shall manage the inter-bank market operations and may participate in trading foreign exchange with the objective to increase the official foreign reserve and to conduct the monetary policy.

Article 5. Objectives of Sale and Use of Foreign Exchange

The sale of foreign exchange by commercial banks and the use foreign exchange by both resident and non-resident of the Lao PDR shall be carried out in accordance with the regulations issued by the Bank of the Lao PDR and its aims:

1. To pay for imported goods;
2. To pay for services related directly to import-export goods. such as transit transportation, insurance and transit warehousing charges;
3. To repay the foreign debts in accordance with the agreement approved by the Government or by the organization authorized by the Government;
4. To give an aid to a foreign country in accordance with the approval of the Government or the organization authorized by the Government;
5. To repatriate of profits, dividends, initial investments, interests, service charges of the foreign investors and wages of foreign workers back to their home countries

or to transfer to a third country as stipulated in the Law Governing the Promotion and Management of the Foreign Investment in the Lao PDR;

6. For the investment abroad with the Government approval;
7. For the national budget expenditures;
8. For other spending targets in accordance with regulations of the Bank of the Lao PDR including medical treatment, studying, visiting abroad.

The sale of foreign exchange by the licensed foreign exchange bureaus shall be carried out based on the following targets:

1. Sell to state-owned commercial bank or the Bank of the Lao PDR;
2. Sell to the general public in accordance with the regulations of the Bank of the Lao PDR.

Article 6. Right to Purchase Foreign Exchange

A person, a legal person, a government organization, civil society organization locating in the Lao PDR may purchase foreign exchange from a commercial bank in accordance with the regulations of the Bank of the Lao PDR, so as to be used for the objective as stipulated in the Article 5 of this Decree Law.

Article 7. Exchange Rate

The Bank of the Lao PDR uses market oriented exchange system guided by state.

In the case of financial crisis or unavailable market information for the purchase and sale of foreign currency, the Bank of the Lao PDR shall study and recommend submit to the Government for approval the exchange rate quotation to be implemented by commercial banks and foreign exchange bureaus.

The Bank of the Lao PDR shall study the exchange rate and recommend to the Government regime that deem suitable for the current stage of national socio-economic development from time to time.

Section III

Opening and using of bank deposit accounts in foreign currency by residents and non-residents of the Lao PDR

Article 8. Opening and using of a bank deposit account in foreign currency by a resident and a non-resident of the Lao PDR

A person, a legal person as a resident and a non-resident of the Lao PDR who legally earns foreign exchange may open a bank deposit account in foreign currency

at a commercial bank within the Lao PDR and shall receive interest in foreign currency in accordance with the regulations of the commercial bank and shall use the currency account in accordance with the Articles 3 and 5 of this Decree Law.

Article 9. Right to hold and use foreign exchange of individuals

A person, as a resident and a non-resident of the Lao PDR may hold foreign exchange, deposit it at a commercial bank within the Lao PDR and use it in accordance with the Articles 3 and 5 of this Decree Law.

Article 10. Opening and using of bank deposit accounts in Kip of non-residents of the Lao PDR

A non-resident of the Lao PDR may open a bank deposit account in Kip earned from selling foreign exchange to a commercial bank or a foreign exchange bureau at a commercial bank within the Lao PDR and may use the balance in the account to repurchase foreign exchange.

Article 11. Opening and using a bank deposit account in a foreign country of a resident of the Lao PDR

A person, a legal person as a resident of the Lao PDR may open and use a bank deposit account in a foreign country with the approval of the Bank of the Lao PDR for the following objectives:

1. For the transit business such as: transportation by land, by air, by sea and by post; for insurance, tourism, labor exportation and contracting a construction project abroad;
2. For an externally borrowing and debt settlement;
3. For the establishment of a branch or a representative office abroad and for the operation of foreign exchange business abroad as approved by the concerned authorities;
4. For other objectives as approved by the concerned authorities.

A resident of the Lao PDR as approved to open a bank deposit account abroad has the duty to report the use of the account to the Bank of the Lao PDR in accordance with the regulations set by the Bank of the Lao PDR.

Article 12. The Management of the Foreign Currency Bank Deposit Accounts opened within the Lao PDR and abroad

The Bank of the Lao PDR shall set the rules regulations on the opening and usage of foreign currency bank deposit accounts by the residents and non-residents of the Lao PDR held within the Lao PDR and abroad.

The commercial banks which accepted the application to open the foreign currency deposit accounts of the residents and non-residents of the Lao PDR and the Kip deposit accounts of the non-residents of the Lao PDR shall examine the utilization of those accounts in accordance with this decree law and the regulations issued by the Bank of the Lao PDR.

The Bank of the Lao PDR shall supervise the services on foreign exchange depositing of the Government, commercial banks, and international financial institutions in accordance with this decree law and the specific regulations issued by the Bank of the Lao PDR.

Article 13. Supervision of the Earnings in foreign exchange

A person, a legal person resident in the Lao PDR dealing with international businesses, having revenues in foreign exchange shall repatriate those revenues to the Lao PDR in accordance with the regulations of the Bank of the Lao PDR. The revenues shall be deposited in their bank account held at a commercial bank and the utilization of the money in the account shall be complied with the Articles 3 and 5 of this decree law.

A person, a legal person as a resident of the Lao PDR, dealing with local businesses that are allowed to charge in foreign exchange shall deposit the foreign exchange in their bank account held at a commercial bank and the utilization of the money in the account shall be complied with the Articles 3 and 5 of this decree law.

All fiscal revenues in foreign exchange shall be deposited in the Government's account held at the Bank of the Lao PDR. Whenever in need for domestic payment shall be sold to the Bank of the Lao PDR at the daily exchange rate of the inter-bank market's trading.

Article 14. Bringing Cash in Foreign Currency and Precious Metals and in Kip in or out of the Lao PDR

A resident, a non-resident of the Lao PDR may bring cash in Kip, foreign currency and precious metals in or out the Lao PDR in accordance with the regulations issued by the Bank of the Lao PDR from time to time.

Customs officers at an immigration check-point shall inspect the declaration of Kip, foreign currency and precious metals to be brought in or out of the Lao PDR.

Section IV

Foreign Exchange Business of a Commercial Bank and a Foreign Exchange Bureau

Article 15. Licensing the Operations of Foreign Exchange Business

The Bank of the Lao PDR shall issue and revoke the license for the operations of foreign exchange business of a commercial bank and a foreign exchange bureau.

A person, a legal person intended to run with foreign exchange business shall complete a license application form and shall meet all requirements issued by the Bank of the Lao PDR from time to time.

A commercial bank and a licensed foreign exchange bureau shall operate their foreign exchange business within the limit stipulated in their license and shall comply with the laws, this decree law and other relevant regulations of the Lao PDR.

Article 16. The notice of foreign exchange rate

A commercial bank and a licensed foreign exchange bureau shall disseminate their exchange rates in a transparent manner that can be seen by customers and shall exchange on such rates.

Article 17. Lending in foreign exchange of a commercial bank

A commercial bank may lend the money to a person or a legal person of a resident of the Lao PDR in foreign exchange as agreed in accordance to the contracts between the commercial banks and the customers under the Law of Lao PDR.

Article 18. Fund mobilization in foreign exchange

Commercial banks and other financial institutions licensed to run foreign exchange may mobilize deposits, issue bonds and commercial papers in foreign exchange to mobilize funds from the general public as approved by the Bank of the Lao PDR.

Article 19. Bringing the foreign currency in or out of the Lao PDR by commercial banks and other financial institutions

Commercial banks and other financial institutions licensed to run foreign exchange business may bring foreign currency in or out of the Lao PDR for their own business operation purposes in accordance with the current regulations issued by the Bank of the Lao PDR. The foreign exchange bureaus are not permitted to bring foreign currency in or out of the Lao PDR.

The customs officers at an immigration check-point shall inspect the declaration of foreign currency bring in or out of the Lao PDR by commercial banks and other financial institutions.

Article 20. Monitoring and reporting on foreign exchange business

Commercial banks, other financial institutions and foreign exchange bureaus, licensed to run foreign exchange, shall be supervised by the Bank of the Lao PDR and shall comply with the current reporting regime issued by the Bank of Lao PDR.

Section V

Borrowing funds and Grants

Article 21. External borrowing of the Government

The Ministry of Finance, the Bank of the Lao PDR, other concerned Ministries and ministerial equivalents shall study and recommend to the Government any external borrowing. The Ministry of Finance and the Bank of the Lao PDR may be delegated by the Government to sign a loan contract or to issue a Government guarantee.

The Ministry of Finance shall implement the loan contracts and supervise the use of the Government loans including the loans to state enterprises.

The Bank of the Lao PDR shall hold the Government's account, provide services and monitor the repayment of the Government external debts.

Article 22. External borrowing and the management of external commercial credit

The Bank of the Lao PDR shall consider approving, supervising and monitoring the external borrowing of a person or a legal person residing in the Lao PDR.

The Bank of the Lao PDR shall coordinate with other concerned macro-public organizations to manage commercial credit.

Article 23. External lending

The Ministry of Finance, the Bank of the Lao PDR, other concerned Ministries and ministerial equivalents shall study any external lending and recommend to the Government.

The external lending of the legal persons from the state and private sectors shall be approved by the Bank of the Lao PDR.

Article 24. Management of grants

1. Management of external grants

The Ministry of Finance shall centrally manage and compile the total external grants including the grants from non-government organizations in physical and cash values. The grants in foreign exchange shall be centrally place in the account opened at the Bank of the Lao PDR.

The Government agencies receiving grants from non-governments organization shall report to the Ministry of Finance and the concerned agencies to compile

2. Management of grants given to foreign countries

The Ministry of Finance shall monitor and compile the grants given to foreign countries by the Government, legal persons and civil society organizations of the Lao PDR.

Section VI

Investment

Article 25. Foreign investment

A person, a legal person investing in the Lao PDR shall open accounts at a commercial bank incorporated in the Lao PDR for monitoring the fund bring in foreign currency and the usage of fund for business operations. The transfer of funds in foreign currency for investment in the Lao PDR shall be made through banking system in accordance with the type of currency stipulated in the investment license and in accordance with the Law of the Lao PDR.

The investment in kind is the value of the equipment and tools that investors bring and pay foreign countries, then legally brought into the Lao PDR for the purpose of licensed business operations. Equipments and tools imported by utilizing the foreign currency from the Lao PDR shall not be counted as investment in kind.

Ministry of planning and Investment shall monitor the investment of foreign investors in order to ensure the implementation of investment license and the Law on Foreign Investment Promotion and Management in the Lao PDR.

The Bank of the Lao PDR shall monitor and confirm the actual fund brought in as a reference for repatriating from the Lao PDR the principals, interests, profits, dividends and others related to the investment. Foreign investors who are unable to produce adequate evidence for their investment shall not be authorized by the Bank of the Lao PDR to repatriate the fund from the Lao PDR.

A person, a legal person licensed to invest in the Lao PDR shall declare their fund and prove the evidence of their fund brought in each time to the Bank of the Lao PDR.

Article 26. Fund borrowed by foreign investors in the Lao PDR

After the transfer of the full registered capital as stipulated in the investment license has been complete, a foreign investor in the Lao PDR may borrow funds from the local banks in accordance with the Law of commercial banks of the Lao PDR.

Article 27. Transfer of fund to foreign countries

A foreign investor may transfer his/her profits, dividends from business operations and other legal incomes to his/her own country or a third country through the banking system in accordance with the Law of the Lao PDR.

In the case where the investment period has been expired or the investment activities are partially or completely closed, the foreign investor may repatriate his / her investment fund to his/her own country or to a third country in accordance with the Law of the Lao PDR.

Article 28. Investment in a foreign country of a resident of the Lao PDR

A resident of the Lao PDR who intends to invest directly or indirectly in a foreign country shall be approved by the concerned authorized organization(s). Upon this approval, the transfer of fund to be invested abroad shall be approved by the Bank of the Lao PDR.

Section VII

Supervision of Precious Metal Business

Article 29. Creation and supervision of Precious Metal Business

The Bank of the Lao PDR shall license and supervise an enterprise for importing exporting the precious metals which are internationally accepted as a means of payment and raw materials for producing jewelry domestically.

A person or a legal person desiring to establish an export-import enterprise for precious metals which are internationally accepted as a means of payment shall submit the creation application form and shall comply with the current requirements issued by the Bank of the Lao PDR.

The Ministry Industry and of Commerce shall license and supervise an enterprise for producing and selling the jewelry made from precious metals, including the importation and exportation of jewelry, precious stones and precious metals mined and manufactured in the Lao PDR.

Article 30. The Bank of the Lao PDR's business on Precious Metal

The Bank of the Lao PDR may buy and sell precious metals which are internationally accepted as a means of payment in domestic and foreign markets and may import or export the precious metals for monetary policy purposes of the Government.

Section VIII

Forecasting the Balance of Payment

Article 31. Compiling revenue and expenditure in foreign currency

The Bank of the Lao PDR shall compile the statistical revenue and expenditure in foreign currency of the national economy.

Ministries, ministerial equivalents, provinces, municipality and social organizations shall compile the report of statistical data in foreign currency of enterprises and organizations under their supervision and cooperate with the Bank of the Lao PDR staff who prepares the balance of payment.

Article 32. Payments to foreign countries

Settlement for imports and exports, international services, borrowing, grants, investments, interests, profits, dividends and revenue and expenditure incurred between the Lao PDR and foreign countries shall be processed through the banking system in accordance with the Law of the Lao PDR.

Section IX

Monitoring, favor policy for the good implementer and measures taken for the violator

Article 33. Monitoring

Ministries, ministerial equivalents, municipality and provincial authorities shall monitor regularly the departments, enterprises and individuals under their supervision the implementation of this decree law.

Article 34. Favor policy for good implementers

Individuals, organizations that implement successfully this decree law shall be praised properly in accordance with regulations issued by the Bank of the Lao PDR.

Individuals, organizations that successfully monitored and supplied the evidence of the violation of this decree law and informed the concerned authority to seek the penalty of those who violate, shall be rewarded in compliance with the regulations issued by the concerned authority.

Article 35. Measure for violators

Individuals, organizations who violate this decree law shall be warned, fined and prosecuted in accordance with the laws depending on the severity of the case.

Article 36. Warning

Individuals, organizations who violate this decree law for the first time with low degree of severity shall be warned and recorded in writing by the concerned authorities at the place of violation.

Moreover, the violator shall comply with the regulations in accordance with the Law of the Lao PDR.

Article 37. Penalty

If individuals or organizations continue to violate the decree law after the warning or they violate the decree law for the first time with high degree of severity, the violators shall be fined 50% of the value of the violation.

In case that the violator has been fined but continued the violation, the violator shall be fined 100% of the value of the violation and the amount of money or precious metals used in the violation shall be confiscated to the Government budget. If the violator is a person or a legal person operating a business, his/her license shall be revoked.

In case of violation that is highly severe and heavily damages the economic, financial and monetary system of the country, the violator shall be prosecuted in accordance with the laws.

Section X

Final Provisions

Article 38. Implementation

Ministries, ministerial equivalents, provinces, Vientiane municipality and the related sectors of economy shall disseminate and strictly implement this decree law.

Article 39. Effectiveness

This decree law supersedes Presidential Decree Law No. 01/OP dated August 9, 2002

This decree law is effective from the date of signature. Any decrees, regulations previously promulgated conflicting with this decree law shall be void.

The President of the Lao PDR

(Signature and Seal)

Chummaly Xaiyasorn