



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

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Lao Securities Commission

No. 002/LSC

Vientiane Capital, dated 24 July 2013

**Regulation
on Incorporation and Operation of Securities Companies**

- Pursuant to the Law on Securities No. 21/NA, dated 10 December 2012.

The Chairman of Lao Securities Commission regulates that:

**Chapter 1
General Provisions**

Article 1 Objectives

This Regulation prescribes the principles, additional rules regarding the incorporation and operation of securities companies in order to facilitate their efficient functioning, stability, transparency, and fairness.

Article 2 Scope of Application

This Regulation shall apply to securities companies including members of board of directors, executives committee, branch managers, services unit managers, securities professionals and its staffs that operates securities business in the Lao PDR.

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.

Chapter 2

Incorporation of Securities Company

Article 3 Conditions for the Incorporation of Securities Company

A person or juristic person wishing to incorporate a Securities Company to provide securities brokerage and underwriting services shall satisfy all the conditions and submit its application documents for incorporation as prescribed in Articles 51 and 52 of the Law on Securities and shall be subjected to additional conditions as follows:

1. having at least one commercial bank which established under the laws of the Lao PDR as a partner and together shall hold at least thirty percent of the total shares;
2. having a good reputation and experience in operating securities, finance-banking or accounting business locally or overseas for at least 5 years;
3. having a contract with at least one custodian bank (correspondent bank) to perform the settlement function;
4. never have violated any laws and regulations causing severe damages related to securities, finance-banking or accounting;
5. foreign applicant shall have status as a securities company and shall obtain an authorization from the Securities Supervisory Authority of their respective jurisdiction.

A person or juristic person wishing to incorporate a Securities Company to provide financial advisory service shall satisfy all the conditions and submit its application documents for incorporation as prescribed in Articles 51 and 52 of the Law on Securities and shall be subjected to additional conditions as follows:

1. having at least one local person or juristic person that established under the laws of the Lao PDR as a partner and together shall hold at least ten percent of the total shares;
2. having a good reputation and experiences in operating securities, finance-banking or accounting business locally or overseas for at least 5 years;
3. never have violated laws and regulations causing severe damages related to securities, finance-banking or accounting business;
4. foreign applicant shall have status as a securities company and shall obtain authorization from the Securities Supervisory Authority of their respective jurisdiction.

Article 4 Registered Capital

An applicant for incorporation of a Securities Company shall have the registered capital for each type of securities businesses as follows:

1. financial advisory 5 billion Kip;
2. securities brokerage 30 billion Kip;
3. securities underwriting 100 billion Kip.

Article 5 Temporary Certificate of Incorporation

An applicant shall receive a temporary certificate of securities company incorporation where satisfying all the conditions as prescribed in Articles 51 and 52 of the Law on Securities, temporary certificate of securities company incorporation maybe used for certifying in principal the grant of the corporation of the Securities Company. The approved applicant with a temporary certificate of securities company incorporation shall not be able to operate its business, but shall use such temporary certificate as an application document for fulfilling additional conditions as prescribed in Article 53 of the Law on Securities.

Article 6 Payment and Use of Registered Capital

After receiving a temporary certificate of securities company incorporation, the applicant shall pay for the registered capital in full amount by transferring to its bank account opened at the Bank of the Lao PDR from the date of obtaining the temporary certificate of securities company incorporation.

The approved applicant wishing to use the registered capital in order to make necessary preparations regarding its business operations or other purposes, shall have a detailed plan for using the registered capital and shall obtain an approval from Lao Securities Commission Office before using such registered capital.

Article 7 Enterprise Registration

After receiving a permanent certificate of securities company incorporation, the applicant shall apply for an Enterprise Registered Certificate within thirty days (30 days) from the date of receiving a permanent certificate of incorporation and may operate its business as stipulated in the applicable laws. In case where an applicant does not apply for an Enterprise Registered Certificate within the specified period, the grant of the permanent certificate of incorporation shall be terminated.

Article 8 Establishment of Branch and Service Unit

A Securities Company receiving a permanent certificate of incorporation may establish its own branch and service unit. Each such establishment is required to request for an authorization from Lao Securities Commission Office.

Article 9 Conditions for Establishment Branch and Service Unit

A Securities Company wishing to establish a branch shall satisfy the following conditions:

1. operating a securities business for at least one year, having made a profit and sufficient funds for the establishment of the branch;
2. having an efficient organizational structure, corporate governance structure and internal auditing system;
3. having a suitable office and sufficient facilities;
4. having a secured and modern IT system that could be linked with its headquarter and relevant parties;
5. having an information sharing system that facilitates management activities properly;
6. complying with the prudential regulations of securities companies and other applicable laws and regulations;
7. branch managers shall have knowledge and at least five years of experience in securities, finance-banking and accounting related businesses and shall hold a securities business professional license;
8. having a suitable number of staff with relevant securities business professional license; and
9. other conditions as stipulated by Lao Securities Commission Office.

For establishing a service unit, a Securities Company shall satisfy the first paragraph of this Article except for Item 1, 2, 6 and 7.

Article 10 Application Documents for Establishment of Branch and Service Unit

Establishment of branch and service unit shall submit the following documents:

1. an application pursuant to the form of the Lao Securities Commission Office;
2. regulations on supervision of the branch and service unit of the Securities Company;
3. certificate of educational qualifications, certificate of criminal record, record of experiences in business operations of members of branch managers and members of service unit managers;
4. financial report of the Securities Company that has been audited by an external audit company;
5. business plan of the branch for the first 3 years after establishment. In the case of a services unit, a business plan for the first year after the establishment; and

6. other documents as stipulated by Lao Securities Commission Office.

Article 11 Establishment of Representative Office of Foreign Securities Company

A foreign securities company wishing to establish a representative office in the Lao PDR shall submit the application documents to the Ministry of Planning and Investment. After obtaining a Representative Office License from such authority, the foreign securities company shall inform Lao Securities Commission Office in order to issue an operation license related to securities business pursuant to its roles. The establishment of representative office shall be operated in accordance with Article 12 of this Regulation.

Article 12 Scope of Operation of Representative Office of a Foreign Securities Company

The representative office of a foreign securities company may operate its business within the following scope:

1. act as a coordination office, collect information and assess the feasibility of establishing a Securities Company and perform coordinating tasks relating to the application documents for the incorporation of Securities Company;
2. promote technical cooperation for the purpose of developing securities businesses and securities exchange in the Lao PDR;
3. other activities as stated in the laws and regulations of the Lao PDR.

Article 13 Fees

An applicant wishing to establish a Securities Company, branch and services unit shall pay in full, the related fees to Lao Securities Commission Office.

The details of fees are as follows:

1. An application for establishment:
 - 1.1. For a Securities Company (headquarters), fees amounting to 20,000,000 Kip;
 - 1.2. For a Branch or Services Unit of a Securities Company, fees amounting to 10,000,000 Kip.
2. For a certificate of incorporation, 0.1 percent of the registered capital and paid in full amount at the date of obtaining a permanent certificate of incorporation.

3. An annual fee of 0.1 percent of the total annual revenues but shall not be lower than 30,000,000 Kip and shall be paid within the 1st quarter of the following year and calculated from the year of incorporation.

Article 14 Internal Regulations and By-laws of Securities Company

In addition to the provisions of Article 60 of the Law on Securities, the by-laws of a Securities Company shall contain additional contents pursuant to the form of the Lao Securities Commission Office. Internal regulations shall contain comprehensive and sufficient contents for performing its daily business operation. The internal regulations and by-laws of a Securities Company shall enter into force upon receiving written approval from Lao Securities Commission Office.

Article 15 Changes of Securities Business Operation of Securities Company

In addition to the changes allowable under Article 69 of the Law on Securities, a Securities Company, Branch and Services Unit of a Securities Company can alter the composition of its branch managers, head and deputy head of divisions, members of Services Unit managers and securities professionals, as authorized by Lao Securities Commission Office.

Article 16 Warning Notification

Lao Securities Commission Office may issue a warning notification to any Securities Company, Branch and Services Unit of a Securities Company together with stipulating the time period for remedy in case of any of the following occurrences:

1. non-compliance with relevant securities regulations;
2. there is an evidence proving that the operations of Securities Company, Branch, Service Unit may cause damage to benefits of investors;
3. conducting any of the actions in violation of Articles 135 and 137 of the Law on Securities;
4. there is an violation of other relevant laws and regulations.

Article 17 Temporary Suspension of Securities Business Operation

Lao Securities Commission Office shall have the right to temporarily suspend partial or full business operations a Securities Company, Branch and Services Unit in case where the Securities Company is unable to resolve the pending issues as prescribed under Article 16 of this Regulation.

Article 18 Liquidation Committee

A committee conducting a liquidation function shall be appointed by the Lao Securities Commission and shall comprise representatives from the Lao Securities Commission Office and other relevant parties from both public and private sector in accordance with conditions as stipulated in the regulations of the Lao Securities Commission Office.

The rights and duties of the Liquidation Committee shall be outlined in specific regulation.

Chapter 3 Organizational Structure and Personnel

Article 19 Organizational Structure of Securities Company

The organizational structure of a Securities Company shall be developed as prescribed in Article 59 of the Law on Securities.

Article 20 Shareholders' Meetings

A shareholders' Meeting is the supreme body of a Securities Company. There are two types of shareholder's meetings: ordinary meetings and extraordinary meetings.

Notification regarding the convening of a shareholders' meeting, quorum, agenda, method for voting, meeting resolutions, modifications and dismissal of resolutions of the meeting shall be in compliance with the Law on Enterprises. The ordinary shareholders' meeting shall be held by April of the subsequent accounting year. The extraordinary meeting could be held at any time whenever necessary.

Article 21 Rights and Duties of Shareholders' Meetings

A shareholders' meeting shall have rights and duties as follows:

1. to approve by-laws and the article of incorporation of a Securities Company as proposed by board of directors;
2. to elect or dismiss chairperson, vice chairperson and other members of the board of directors prior to proposing to Lao Securities Commission Office for consideration; and to select an audit company;
3. to approve members of the executive committee as proposed by the board of directors;

4. to approve annual allowance, meeting allowance, salary or other remunerations for the members of the board of directors, members of executive committee, securities professionals and staffs of a Securities Company;
5. to approve reports, business plans and annual audit report as proposed by the board of directors;
6. to approve the increase or decrease of registered capital as proposed by the board of directors;
7. to approve the mergers, incorporation of subsidiaries, investments, sale of assets or dissolution of a Securities Company as proposed by the board of directors;
8. to approve the allocation of revenue, dividend and establishment of funds as proposed by the board of directors;
9. to exercise other rights and duties as stipulated in the applicable laws and regulations.

Article 22 Board of Directors

The board of directors of a Securities Company shall comprise at least three (3) directors and shall include at least one (1) independent director who is not related to the company's interests or being a staff or holding any position in Securities Company, to be able to provide independent comments.

The board of directors shall comprise a chairperson, vice chairperson and other members who are appointed and dismissed by the shareholders' meeting. The board of directors shall have terms of the board up to two (2) years and may be reappointed.

The board of directors shall convene at least two (2) meetings per year.

Article 23 Conditions of Members of Board of Directors

Members of the board of directors of a Securities Company shall meet the following conditions:

1. educational qualification at least at a level of a bachelor degree or above and at least three (3) years of experience in banking, finance or securities-related businesses or experiences in business administration;
2. never been dismissed from office as an executive of any other juristic person, declared by the court as bankrupted person, or be an executive of a juristic person that was declared bankrupt by the court;
3. never been sentenced by the court for criminal offences relating to fraud, deception, falsification of document, bribery, corruption or money laundering and shall never violated laws and regulations related to securities businesses.

Article 24 Rights and Duties of the Board of Directors

The board of directors shall have rights and duties as follows:

1. to approve regulations of a Securities Company as proposed by executive committee prior to proposing to the Lao Securities Commission Office for consideration;
2. to appoint, relocate or dismiss members of the executive committee as approved by shareholders' meeting and Lao Securities Commission Office;
3. to appoint relocate or displace members of the internal audit committee, members of compliance unit committee and members of other committee of the board of directors as approved by Lao Securities Commission Office;
4. to formulate policies, plans, mechanism and regulations as a reference for implementation by the executive committee;
5. to monitor the implementation of a resolutions of the shareholders' meeting by the executive committee;
6. to coordinate and define the operation of the executive committee;
7. to cooperate, provide information and documents and clarify any issues to audit companies, internal audit committee, securities investigation officers and other relevant parties;
8. to report the operation and create annual business plans for the Securities Company to the shareholders' meeting for consideration;
9. to propose mergers, incorporation of subsidiaries, investment, sale of assets or dissolution of Securities Company to the shareholders' meeting for consideration;
10. to supervise the operation of the internal audit committee, compliance unit committee and other committees of the board of directors;
11. to propose the creation and amendment of by-laws and the article of incorporation of Securities Company to the shareholders' meeting for consideration;
12. to review budgets for the board of directors' meeting, salary, bonus or other compensation for the members of the board of directors, executive committee, securities professionals and staff of Securities Company to propose to the shareholders' meeting for consideration;
13. to review the allocation of revenue, dividend and establishment of reserve funds to propose to the shareholders' meeting for consideration;
14. to clarify, respond to and provide detail information about the operation of Securities Company to the shareholders' meeting;

15. to be accountable for all activities of the Securities Company including damages caused to Securities Company and its clients due to their misconduct;
16. to exercise other rights and duties as stipulated in the applicable laws and regulations.

Article 25 Specialized Committees of Board of Directors

Specialized committees of the board of directors shall comprise an internal audit committee, compliance unit committee, and other committees as deemed necessary. Each committee shall have at least two members, one of which shall be a member of the board of directors but not a member of executive committee.

Article 26 Conditions for Internal Audit Committee

Members of the internal audit committee shall meet the following conditions:

1. educational qualification of at least a bachelor degree or above in accounting, auditing, law, finance, banking or business administration;
2. at least three years of experience in accounting, auditing, finance-banking or securities-related businesses;
3. never been sentenced by the court as a bankrupted person, or was an executive of a juristic person that was declared bankrupt by the Court;
4. never been sentenced by the court for criminal offences relating to fraud, deception, falsification of document, bribery, corruption or money laundering and shall never violated laws and regulations related to securities businesses;
5. possess competencies to review and assess business plans including weekly plan, monthly plan, annual plan and strategic plan of Securities Company.

Article 27 Rights and Duties of Internal Audit Committee

The internal audit committee shall have the rights and duties as follows:

1. to develop an internal auditing plan in compliance with its scope of rights and duties as assigned by board of directors. Such plan shall cover the company's important transactions and shall be approved by the board of directors;
2. to be involved in the development of the company's business plan for convenience in monitoring;
3. to monitor the operation of executive committee, securities professionals and staffs to be in compliance with operation plan approved by the shareholders' meeting or board of directors, and report to the board of directors on a regular basis;

4. to develop annual inspection reports to propose to the board of directors for consideration and approval;
5. to coordinate with external audit committee in performing its audit duties;
6. to assess the quality of an external audit company, the auditors' independence in relation to all aspects of relationship between auditors and securities company;
7. to contact or coordinate with the Lao Securities Commission Office on a regular basis;
8. to exercise other rights and perform other duties as assigned by the board of directors.

Article 28 Conditions for Compliance Unit Committee

In addition to the conditions prescribed in Article 26 of this Regulation except Item 5, the compliance unit committee shall meet additional conditions including possessing knowledge and understanding laws and regulations related to securities and all regulations of the company.

Article 29 Rights and Duties of Compliance Unit Committee

The compliance unit committee shall have the rights and duties as follows:

1. to develop an inspection plan in compliance with its scope of rights and duties as assigned by the board of directors. Such plans shall be approved by the board of directors;
2. to monitor the operation of executive committee, securities professionals and staffs of Securities Company in order to report to the board of directors on a regular basis with recommendations on solutions where detecting any misconducts in related to securities laws and regulations, internal regulations and other relevant laws and regulations;
3. to directly report to the board of directors and the Lao Securities Commission Office in any matters leading to damages to company and an overall capital market;
4. to disseminate information and give advice to other working unit of the Securities Company related to the company operations to ensure their compliance with securities laws and regulations, internal regulations and other regulations of the company;
5. to collect information with regard to clients' complaints to propose to the board of directors for solutions;
6. to monitor the executive committee progress in solving deficiencies as stated in audit reports and notification of Lao Securities Commission Office;

7. to contact or coordinate with Lao Securities Commission Office on a regular basis;
8. to exercise other rights and perform other duties as assigned by the board of directors.

Article 30 Executive Committee

The executive committee is responsible for the day-to-day operation of a Securities Company in accordance with the rights and duties prescribed in Article 32 of this Regulation and other relevant laws and regulations.

The executive committee shall be appointed and dismissed by the board of directors and shall have terms of office for the period of two years and may be re-appointed.

The chief executive officer shall be a member of the board of directors, but shall not simultaneously be the chairperson or vice chairperson of the board of directors.

Article 31 Requirements for executive committee

In addition to adhering to the requirements as prescribed in Article 23 of this Regulation, the member of executive of committee of Securities Company, shall hold a securities professional certificate granted by Lao Securities Commission Office.

Article 32 Rights and duties of chief executive officer

The chief executive officer shall have rights and duties as follows:

1. to review, develop, and amend regulations of the Securities Company to propose to the board of directors' meeting for consideration;
2. to review the company management plan to propose to the board of directors' meeting for reporting to shareholders' meeting for consideration;
3. to implement prudential regulations of Securities Company and other relevant laws and regulations;
4. to develop reports on business operation and annual business plan of Securities Company to propose to the board of directors' meeting for reporting to shareholders' meeting for consideration;
5. to implement the resolutions of the shareholders' meeting and the board of directors' meeting;
6. to review, develop and amend internal regulations and joint venture agreement of Securities Company to propose to the Board of Directors' meeting for reporting to shareholders' meeting for consideration;

7. to directly report to the board of directors and the Lao Securities Commission Office on the operations of Securities Company that related to securities laws and regulations;
8. to review the board of directors' meeting budget, salary, bonus or other compensation for the members of board of directors, executive committee, securities professionals and staff of Securities Company to propose to the board of directors' meeting for reporting to shareholders' meeting for consideration;
9. to review the allocation of revenue, dividend and establishment of funds to propose to the board of directors' meeting for reporting to shareholders' meeting for consideration;
10. to clarify, respond to and provide detailed information about operations of Securities Company to board of directors' meeting;
11. to be accountable for all activities of the Securities Company including damages caused to Securities Company and its clients due to their misconducts;
12. to act as a representative in signing contracts and other official documents of Securities Company;
13. to manage day to day operations of Securities Company according to scope of rights and duties as defined in internal regulations or as assigned by the board of directors;
14. to propose the appointment or displacement of deputy executive(s) to the board of directors for approval;
15. to appoint or dismiss a head and deputy head of divisions, securities professionals and recruit and allocate staff of Securities Company;
16. to propose a merger, establishment of subsidiary, investment, sale of assets or dissolution of Securities Company to the board of director meeting for consideration;
17. to approve on award policies or disciplinary sanctions for staff of Securities Company in accordance with applicable laws and regulations;
18. to cooperate, provide information and documents with clarifications on particular issues to internal audit committee, compliance unit committee, audit companies, inspection committee, securities investigators and other relevant parties;
19. to report to the board of directors, internal audit committee and compliance unit committee on the operation of a Securities Company;
20. to exercise other rights and perform other duties pursuant to by-laws of the Securities Company.

Chapter 4

Securities Business Operation

Article 33 Rights and Duties of Securities Company

Besides having the rights and duties as prescribed in Article 68 of the Law on Securities, a Securities Company shall have additional duties as follows:

1. to adequately and efficiently allocate local and foreign staff and define tasks in cases of the joint venture company;
2. to exercise other additional rights and perform other additional duties as stipulated by the Lao Securities Commission Office.

Article 34 Business Operation of Securities Company

A Securities Company may operate a certain type of securities businesses as prescribed under Articles 61, 62, 63 and 64 of the Law on Securities. Written agreement and an authorization from the Lao Securities Commission Office is required where a Securities Company has a joint securities business operating with other relevant local and foreign juristic person.

Article 35 Scope of Business Operations of Branch and Service Unit of Securities Company

The branch of a Securities Company may operate its businesses as a securities brokerage and financial advisory. A services unit of a Securities Company may operate its business only as a securities brokerage.

Article 36 Prohibited Acts

A person, juristic person, organization, Securities Company and securities professional are prohibited from undertaking activities either directly or indirectly as prescribed in Articles 135 and 137 of the Law on Securities. Additionally, a Securities Company including members of the board of directors, executive committee, members of branch managers, head and deputy head of Divisions, members of services unit managers, securities professionals, staff and representative office of a Securities Company are prohibited from the following activities:

1. allowing other persons or juristic persons use of its securities business license;
2. establishing a group securities company;
3. providing securities business services together with local and foreign person and/or juristic person without obtaining an authorization from the Lao Securities Commission Office;

4. taking interests from deposit accounts of Securities Company for clients;
5. lending money or asset services to its clients;
6. accepting securities trading orders of its clients outside a specified trading venue;
7. providing services by opening accounts on behalf of its clients;
8. a representative office operating its securities business outside the scope as prescribed in Article 61 of Law on Securities including providing representative service in operating securities business to any securities company incorporated in Lao PDR.

Chapter 5

Accounting, Reporting, Information Disclosure, Maintenance of Information and Inspection

Article 37 Accounting

A Securities Company shall comply with principles and standards of the accounting system as prescribed in Article 70 of the Law on Securities.

Article 38 Reporting, Information Disclosure and Maintenance of Information

A Securities Company, members of the board of directors, executive committee, members of branch managers, head and deputy head of divisions, members of services unit managers, securities professionals, staff and representative office of a Securities Company shall perform reporting system, information disclosure system and maintenance of information as prescribed in Part VI of the Law on Securities and other laws and regulations of the Lao PDR.

Article 39 Inspection

Inspections of a Securities Company shall be performed in accordance with Part X, Chapter 2 of the Law on Securities and other relevant laws and regulations of the Lao PDR.

Chapter 6

Final Provisions

Article 40 Implementation

The Lao Securities Commission Office and related parties shall acknowledge and strictly implement this Regulation within their respective rights and duties.

Article 41 Effectiveness

This Regulation shall enter into force at the date of signing by the Chairman of the Lao Securities Commission.

Chairman of Lao Securities Commission

(Seal and Signature)

Somsavat Lengsavat