LAO PEOPLE'S DEMOCRATIC REPUBLIC
Peace Independence Democracy Unity Prosperity

Bank of The Lao PDR

No.01/BOL
Vientiane, 5 February 2004

Additional Instruction for Implementation of Some Articles of The Instruction no.02/BOL of 29 September 2003

To: ALL BOL branches and commercial banks including Agriculture Promotion Bank.

Subject: Additional instruction for implementation of the decree law on management of foreign currency and precious metal no.01/O.P dated 9 August 2002.

-To implement the President's Decree Law on Management of Foreign Currency and Precious Metals no.01/O.P dated 9 August 2002, the Prime Minister' Decree on the Implementation of the President's Decree on Management of Foreign Currency and Precious Metals no. 141/PMO dated 8 September 2003 and the Implementation Instruction on Management of Foreign Currency and Precious Metals no.02/BOL dated 29 September 2003.

- To facilitate and to make clear the rule and regulations in the implementation of the afore mentioned;

The Bank of the Lao PDR (BOL) issues this Additional Instruction to explain more about some articles in the Instruction no.02/BOL dated 29 September 2003 as follows:

1. **Regarding the sale of foreign currency in Article 4**

The US$ 2,000 maximum limit on sale of foreign currency for the purpose of health treatment, traveling and education overseas is applied to the foreign exchange bureaus only. If someone wants to buy more than US$ 2,000 or its equivalent he/she shall apply to a commercial bank. Details of the application shall comply with the Article 5.8, 5.9 and 5.10 of Instruction no. 02/BOL of 29 September 2003 .

2. **Regarding the purpose of selling and using of foreign currency in Article 5**

Residents of the Lao PDR may apply to buy foreign currency for other external payment purpose than those specified in Article 5 by submitting a correct and complete set of documents for the need of this foreign exchange for an external payment.

After selling foreign currency to an importer, the commercial bank shall write down the sold amount on his/her document, sign and seal to certify the sale of this foreign exchange. The bank that signed the permit to bring in the merchandise of a customer shall supply this customer with foreign exchange as well. In case the bank cannot supply according to the demand of the customer, the bank should not sign the permit. In case of the original tax payment document, if the customer wants to keep it, the bank shall make a copy of this.

Regarding Article 5 section 5.4 on the application to buy foreign currency for remittance of profit and dividend of a foreign company which has no income in foreign currency back home or to a third country, tax payment certificate here refers to receipt or payment certificate for profit tax, income tax, dividend tax and other tax issued by the tax Department or the tax section based on the tax law of Lao PDR. Regarding Article 20.1 and 20.2 on money transfer to a foreign country, tax payment certificate here also has the same mea3. **Regarding the foreign currency transfer through the banking system for domestic payment in Article 7**

Any money transfer of a bank customer to pay for goods or services, within the country shall be done in kip, while, acknowledging the contract or commitment in foreign currency of its customers if there is any, but the actual payment shall be made in kip according to the bank's exchange rate of that day (except for those business entities that are authorized to pay in foreign currency).

Foreign currency transfer for a domestic payment can be conducted internally within the commercial bank system only.

An individual or a legal person can withdraw up to US$10,000 or its equivalent Foreign Currency in cash from his account per day without applying for approval from the Foreign Currency Department of BOL. However, for cash withdrawal of more than US$10,000 or its equivalent in some other currency, the management of the related commercial bank shall approve such application based on its consideration and « know your customers principles » (that means a fair judgment shall be made based on reason and knowledge) and also, the approval shall be based on the knowledge about the customer such as who he/she is, where he/she works, his/her address, his/her job. However, this must be reported to the Foreign Currency Department of BOL each time. As for the amount of foreign currency withdrawal to change into kip within the bank itself, there is no limit, however the bank shall consider the purpose of using this money and advise which one shall be made in cash and which one can be done by transferred transaction.

When a fixed deposit is on maturity and the customer doesn't want to roll over, he/she can withdraw the whole amount at once, but he/she should bring along the deposit slip they got from the bank at the beginning and the one thereafter. In case there is not enough evidence or reason, the bank management shall make the judgment. If the bank can not allow to withdraw the whole amount in cash at one time, the rest shall be put in the saving account or current account of the customer and the customer can withdraw the rest according to the bank's regulation the following days.

BOL allows embassies, international organizations operating in the Lao PDR and the foreign investment projects using foreign workers and specialists, holding a deposit account with a commercial bank in the Lao PDR, to withdraw more US$10,000 or its equivalent as much as they need to pay for the salaries of those foreign staff in one day. In this case, in order to make convenience, the commercial bank shall encourage their customers to open bank accounts for their staff at the bank and to pay their staff through those bank accounts.

There is no limit for foreign currency deposit in cash to an existing account of an individual or a legal person, but in case the amount is very large, the management of the bank shall consider it and use the knowledge about

« know your customers principles » to ensure that only clean money enter the bank. The bank shall report this to the BOL (Foreign Currency Department and Banking Supervision Department) and monitor the transferring of this account.

4. **Regarding the management of income in foreign currency in Article 11**

An individual or a legal person residing in the Lao PDR, having income in foreign currency from exporting goods and services, shall bring these incomes to the Lao PDR within 120 days starting from the date of the delivery at the border (date of the FOB).

Exemptions from bringing those incomes into the Lao PDR shall be made for the following:

1. Part of the income using for external loan repayment that has been approved by BOL and has been registered with the BOL according to Article 17.1 of the Instruction.

2. Part of the income using for payment of an external letter of credit that has been approved by the BOL according to Article 17.2 of the Instruction.

3. Part of the income specified in the contract between the Government and the foreign investor.

For those exemptions above, the BOL will consider to allow the concerned person to open a bank account abroad to receive its foreign currency income and pay his/her external debt directly according to the plan accepted by BOL. The remaining amount after external debt payment shall be brought into the Lao PDR.

A number of legal persons operating in Lao PDR, who have bank accounts abroad and use them for their business transactions but still do not get the approval of BOL, shall inform the Foreign Currency Department of BOL about these accounts, explain to BOL about the necessity why they have done so to find out the way to correctify in the future.

In the case where a commercial bank buys foreign exchange in the account of an exporter because he/she did not declare the need of this foreign exchange within one month, then the bank shall issue a certificate of buying this amount and give it to the exporter to use as proof when he/she applies to buy back foreign exchange in the future. The exchange rate used for such purchase is the bank's exchange rate of that day.

5. **Regarding the bringing in and out of the Lao PDR the foreign currency in Articles 12 and 14 of the Instruction.**

Regarding Article 12, an individual or corporate person who takes more than US$ 2,000 or its equivalent amount in some other currency into the Lao PDR through the international check point, shall declare this to the customs officials in full to receive a capital importation slip from the officials to use as proof when he/she wants to take this money back out of the Lao PDR. If this is a very large amount or the investment capital, he/she will be a advised to deposit in an account of a commercial bank. Customs officials at the check point shall send a copy of these capital import slips to the foreign currency Department of the BOL everyday. In the provinces where there is a BOL branch, approval for taking in or out foreign currency of more than US$ 2,000 or its equivalent in some other currency or more than 5,000,000kip can be done from this branch. In the provinces where there is no BOL branch, the BOL will authorize a branch of a state commercial bank in that area to issue such approval.

The BOL will authorize its branches to implement Article 14 of the Instruction in provinces to allocate its responsibility. (There will be a separate notice from BOL).

6. **Regarding the approval to operate foreign exchange business on Article 13**

The establishment of a foreign exchange bureau or a foreign exchange agent shall comply with the following:

- A domestic licensed commercial bank can set up its foreign exchange shop or foreign exchange agent any where as its management sees suitable.

- A branch of a foreign bank can conduct its foreign exchange business within the branch only.

- BOL is the authority to approve a private or a partnership foreign exchange bureau.

7. **Regarding the capital importation certificate of foreign investment in Article 19**

The BOL empowers its branches to issue the capital importation certificate for foreign investment project approved by provinces. Branches of commercial banks in other provinces shall report the capital import in their localities to the responsible BOL branch monthly.

The Foreign Currency Department of the BOL shall issue the capital importation certificate for foreign investment projects approved by Central Government, Vientiane Capital, Vientiane province and Bolikhamsay province.

This notification will take effect one week after its signature date onward.

Governor of the BOL.

Phoumy Thipphavone ning as explained in the beginning of this paragraph for Article 5.4 .

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