



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Government

No: 329/GOV

Vientiane Capital, 25 October 2017

DECREE ON DEPOSIT PROTECTION

- Pursuant to the Law on Government (Amended) No. 04/NA, dated 08 November 2016;
- Pursuant to the Law on the Bank of the Lao PDR No. 05/NA, dated 14 October 1995;
- Pursuant to the Law on Commercial Banks 03/NA, dated 26 December 2006;
- Pursuant to the Letter of the Bank of the Lao PDR No. 170/BOL, dated 12 May 2017.

The Government Issues the Decree:

Chapter 1 General Provisions

Article 1 Purposes

This Decree defines principles, rules and measures on the supervision and monitoring of deposit protection operation to ensure the protection of rights and interests of depositors, aiming at building public trust in the financial institution system, contributing in the fostering of stability and in the development of financial institution system of Lao PDR.

Article 2 Deposit Protection

Deposit protection is the protection of legitimate rights and interests of depositors who deposit their money in the members of the Deposit Protection Office.

Article 3 Definition of Terms

The following terms used in this Decree have the following meanings:

1. **Financial Institutions** means commercial banks and deposit-taking microfinance institutions legally established by the laws and regulations of Lao PDR;

2. **Member** means a financial institution that is a member of the Deposit Protection Office;

3. **Deposit** means the amount of money in the account of depositors who deposit money in the members;

4. **Depositor** means an individual, a legal entity or an organization who deposits money in a member;

5. **Deposit Premium** means the amount of money that a member shall pay to the Deposit Protection Office according to premium rates defined periodically.

6. **Protected Deposit** means the amount of money that the Deposit Protection Office shall pay-out to the depositors in accordance with the determined deposit protection coverage.

7. **Rehabilitation Committee** means the committee appointed by the Bank of the Lao PDR to take control the business operations of a member facing financial difficulty and instabilities that may lead to its insolvency.

8. **Insolvent situation** means the situation of a financial institution that is facing difficulty or losses in its business operations after applying necessary financial methods, but its debts cannot be paid within the due date and the status of which is certified by the Bank of the Lao PDR.

9. **Final business day** means the day when the Bank of the Lao PDR declares the insolvent situation.

Article 4 State Policy on Deposit Protection

The State encourages and promotes deposit protection by defining policy, regulations and measures for efficiency of the Deposit Protection Office’s operations in protecting legitimate right and interest of depositors.

Article 5 Fundamental Principles of Deposit Protection

Deposit Protection shall comply with the following principles:

1. Ensuring centralized and unified supervision countrywide;
2. Operating business in fair, transparent, precise, complete and auditable manners;
3. Ensuring legitimate rights and interests of depositors, members and the Deposit Protection Office;

Article 6 Scope of Application

This Decree applies to the Deposit Protection Office, members, depositors and organizations that are related to deposit protection framework.

Article 7 International Cooperation

State promotes foreign, regional and international cooperation in the field of deposit protection framework by exchanging lessons, information, techniques and expertise, and human resource developments in order to develop this framework to be efficient, effective and can regionally and internationally integrate, implement international treaty and conventions to which Lao PDR is a party.

**Chapter 2
Deposit Protection**

Article 8 Eligible Deposits

Eligible deposits are the deposits of individuals, legal

entities and organizations which are not stipulated in article 9 of this Decree that deposit with the members including current deposits, saving deposits and fixed deposits in Lao Kip and foreign currencies including both principals and interests as stipulated by the Deposit Protection Office.

Article 9 Ineligible Deposits

Ineligible deposits are the deposits of management, major shareholders and board members of the financial institution, the deposits of other financial institutions, the deposits of national treasury, the deposits of government agencies, the deposits of international organizations, and custody accounts.

Article 10 Rights and Obligations of Depositors

Depositor has the following rights and obligations:

1. Obtain the protection for his/her deposit in a member according to the deposit protection coverage and timeframe as stipulated in this Decree;
2. Receive information on deposit protection from the member and the Deposit Protection Office;
3. File a lawsuit against relevant organization related to deposit protection in case of unfair treatment;
4. Study information of the financial institution on deposit protection policy thoroughly prior making a decision to open a deposit account.
5. Supply information on its deposit to the member and the Deposit Protection Office accurately and completely.
6. Exercise other right and perform other obligation as stipulated in the laws and regulations.

**Chapter 3
Deposit Payout**

Article 11 Deposit Protection Coverage

The deposit protection coverage is the maximum amount

that the Deposit Protection Office pays-out to depositors who deposit their money in a member whenever it is in the insolvent situation, combining with outstanding principals and interests on the final business day of insolvent member.

The Bank of the Lao PDR determines the deposit protection coverage periodically on the basis of ensuring the coverage per depositor to be not less than 2 times of Gross Domestic Product per Capita.

Article 12 Deposit Payout

The Deposit Protection Office shall conduct the deposit payout process to the depositors of insolvent member from the day the Bank of the Lao PDR declares the insolvent situation onward.

The deposit payout shall be paid in Lao Kip according to the exchange rate set by the Bank of the Lao PDR at the final business day of the insolvent member.

Article 13 Preparation of Deposit Payout

After the Bank of the Lao PDR issues an agreement to appoint the rehabilitation committee, such agreement shall be notified to the Deposit Protection Office within 3 working days.

After receiving such notification, the Deposit Protection Office shall prepare the following main tasks:

1. Review information and deposit balance of the depositors as well as calculating the protected deposit amount including outstanding principals and interests of the depositors;
2. Plan the payout and recovery processes; and
3. Assess the total due protected deposit amount and plan for additional fund raising in case the Deposit Protection Reserve Fund is insufficient.

Article 14 Deposit Payout Process

The deposit payout shall comply with the following processes:

1. Insolvent member shall propose to the Deposit

Protection Office together with filling in data and other relevant documents within 15 days from the day the Bank of the Lao PDR declares the insolvent situation onward;

2. After receiving the accurate and complete set of documents from that member, the Deposit Protection Office shall announce the depositors on the deposit payout plan which also stipulate the date, place and methods of receiving protected deposits through mass medias within 60 days;

3. A depositor shall complete deposit payout forms accurately and completely according to the form prescribed by Deposit Protection Office within 90 days, starting from the date of announcement for submitting documents. In case of necessity, the payout can be expanded into two times, each time is not more than 90 days. In case any depositor cannot submit the deposit payout form within such mentioned timeframe, he/she shall request the payout including outstanding principal and interest from the Liquidation Committee in accordance with the law and regulation.

4. A depositor will only receive the protected deposit within the maximum deposit protection coverage limit. For the remaining amount exceeding the coverage limit, the depositor shall request to the Liquidation Committee. The deposit payout is implemented after the deducting of all debts and other relevant expenses to the debts of the depositor.

The Deposit Protection Office determines one of the financial institution members to be a payment agent for deposit payout. In case the depositor does not have any account in the agent financial institution, the depositor shall open a new account in that institution to receive the protected deposit.

Detailed deposit payout processes are stipulated in the specific regulation.

Article 15 Liquidation

After the court sentences failure of the financial institution, the Bank of the Lao PDR shall appoint the

Liquidation Committee, having representative of the Deposit Protection Office as a member.

Priority of the liquidation shall comply with the Law on Commercial Bank and Decree on Microfinance Institution.

The Deposit Protection Office is the creditor of the failed financial institution in the total amount of money paid-out to the depositors and will be paid back according to the liquidation priority.

Chapter 4 Deposit Protection Office

Article 16 Deposit Protection Office

The Deposit Protection Office abbreviated as “DPO”, is a government financial organization equivalents to a department, a legal entity operating on non-profit basis, financially independent and under supervision of the Bank of the Lao PDR.

Article 17 Rights and Duties of the Deposit Protection Office

The Deposit Protection Office has the following rights and duties:

1. Research and formulate strategic plan and legal framework on deposit protection to propose a higher authority for approval;
2. Research and propose the Bank of the Lao PDR to increase Equity Fund periodically;
3. Issue the Certificate of Membership or Membership Termination of the Deposit Protection Office;
4. Calculate and collect deposit premiums from members according to the premium rates stipulated periodically;
5. Monitor and analyze depositor status and deposit amount with members periodically;
6. Request for information related to deposit protection from members and related agencies;
7. Disseminate information on deposit protection to

members and public periodically;

8. Manage Equity Fund and Deposit Protection Reserve Fund in the low risk businesses such as buying government bond, central bank bond and deposit with the Bank of the Lao PDR;

9. Propose loan from domestic and foreign financial institutions with the government guarantee based on the proposal of the Bank of the Lao PDR;

10. Pay-out to depositors according to the deposit protection coverage stipulated in article 11 of this Decree;

11. Recover debts in the liquidation process;

12. Coordinate with the department in the Bank of the Lao PDR and related agencies in implementing the deposit protection framework;

13. Summarize and report on deposit protection activities to the Bank of the Lao PDR regularly;

14. Exercise other rights and perform other duties as stipulated in the laws and regulations.

Article 18 Organizational Structure

The Deposit Protection Office consists of the following organizational structure:

1. Board of Directors;
2. Executives of the Deposit Protection Office;
3. Divisions;
4. Sections.

Rights and duties of divisions and sections have stipulated in specific regulation.

Article 19 Board of Directors

The Board of Directors is the highest authority of the Deposit Protection Office, has directive role of leading the Deposit Protection Office activity including the responsibility of its duties assigned by the Bank of the Lao PDR.

The Board of Directors is appointed by the Prime Minister, consisting of 7 members:

1. Deputy Governor of the Bank of the Lao PDR as Chairman;
2. Director General of Fiscal Policy Department, Ministry of Finance as Vice Chairman;
3. Director General of Banking Supervision Department as Member;
4. Director General of Microfinance Institution Supervision Department as Member;
5. Lawyer as Member;
6. Auditor as Member;
7. Director General of the Deposit Protection Office as Member and Secretary;

Article 20 Right and Duty of the Board of Management

The Board of Directors has the following rights and duties:

1. Approve the formulate and amendment of strategic plan, 5 years action plan, annual action plan and annual report based on the proposal of the Director General of the Deposit Protection Office.
2. Endorse the internal regulations and relevant legislation of the Deposit Protection Office;
3. Endorse the policy on management of Deposit Protection Office Equity Fund and Deposit Protection Reserve Fund based on the proposal of the Director General of the Deposit Protection Office;
4. Direct, supervise and monitor the operation of the Deposit Protection Office;
5. Appoint or remove the Directors of Divisions of the Deposit Protection Office based on the agreement of the Governor of the Bank of the Lao PDR;
6. Exercise other right and perform other obligations as provided in the internal regulation of the Deposit Protection Office.

Article 21 Executives of the Deposit Protection Office

The Executives of the Deposit Protection Office who manage the daily work of the Deposit Protection Office, is as a secretariat and report to the Board of Directors.

The Executives of the Deposit Protection Office consists of the Director General and a number of Deputy Director General.

The Director General of the Deposit Protection Office is appointed or removed by the Prime Minister according to proposal of the Governor of the Bank of the Lao PDR.

The Deputy Director General of the Deposit Protection Office is appointed or removed by the Governor of the Bank of the Lao PDR.

Article 22 Right and Duty of the Director General of Deposit Protection Office

The Director General of the Deposit Protection Office has the following rights and duties:

1. Develop and implement the meeting resolutions of the Board of Directors;
2. Formulate or amend strategic plan, 5 years action plan, annual action plan, annual report and regulation to propose the Board of Directors for approval;
3. Research and issue legislation related to deposit protection framework within its mandates;
4. Research on the management policy of Deposit Protection Office Equity Fund and the Deposit Protection Reserve Fund to propose the Board of Directors for approval;
5. Appoint or remove the heads of sections in accordance with the agreement of the Board of Directors;
6. Manage day-to-day work of the Deposit Protection Office according to the rights and duty provided in the internal regulation or as assigned by the Board of Directors.
7. Be a representative of the Deposit Protection Office in signing contracts and other official documents of the Deposit Protection Office.

8. Research on compliment or punishment of the Deposit Protection Office's staff;
9. Provide information and clarify issues to the Board of Directors and external auditors;
10. Exercise other right and perform other duty as assigned by higher authority.

Article 23 The Deposit Protection Office Equity Fund

The Government provides Equity Fund to the Deposit Protection Office by assigning the Bank of the Lao PDR to research and propose to the Government to consider from time to time based on the proposal of the Board of Director of the Deposit Protection Office. In addition, the Deposit Protection Office Equity Fund is also from the difference of its Equity Fund management and contribution of other sectors.

Article 24 Use of the Deposit Protection Office Equity Fund

The Deposit Protection Office Equity Fund may be used on managing in the low risk businesses such as buying government and central bank bonds.

The Deposit Protection Office has to manage the Deposit Protection Office Equity Fund constantly and profitably.

Article 25 Accounting

The accounting year of the Deposit Protection Office starts from 1st of January to 31st December of every year.

The Deposit Protection Office shall implement its accounting system in compliance with the law and regulation of the Bank of the Lao PDR.

The Deposit Protection Office shall produce its financial statement based on the form and regulation of the Bank of the Lao PDR.

Article 26 Financial Statements

Financial statements of the Deposit Protection Office

included:

1. Financial Statement;
2. Performance Statement;
3. Cash Flow Statement;
4. Statement of Change in Equity Fund.

Financial statement and performance statement consist of 3 columns, which are the Deposit Protection Office's column, Deposit Protection Fund's column and total one.

Article 27 Income and Expenditure

Income and expenditure of the Deposit Protection Office include:

1. Income on:
 - Interest;
 - dividend from different from Deposit Protection Fund management;
 - Fines;
 - Sales of fixed assets;
 - Other legitimate income.
2. Expense on:
 - Operating expenses;
 - Reparation;
 - Depreciation;
 - Fees and service charges;
 - Interest and borrowing expenses;
 - Advertisement and public relations;
 - Other expenses.

Net income of the year is the difference in positive or negative between revenue minus expenses of the year. The division of net income of the year to reserve funds of the Deposit Protection Office is subjected to the decision of the Board of Directors.

Article 28 Reporting

The Deposit Protection Office shall report its operational status and financial statements to the Bank of the Lao PDR on a monthly, quarterly and annually basis.

Chapter 5

Deposit Protection Reserve Fund

Article 29 Deposit Protection Reserve Fund

The Deposit Protection Reserve Fund is a fund established by the Deposit Protection Office in order to accumulate and use deposit premium for the purpose of deposit payout in case that any member falls in insolvent situation.

Article 30 Source of Deposit Protection Reserve Fund

Source of Deposit Protection Reserve Fund are derived from deposit premiums from its member, net income from differences in the management of Deposit Protection Reserve Fund, contribution from individuals or legal entity and loan.

Article 31 Management of Deposit Protection Reserve Fund

The Board of Directors issues regulation on the Management of Deposit Protection Reserve Fund.

Article 32 Allocation of Deposit Protection Reserve Fund

The Deposit Protection Reserve Fund is used for deposit payout, repay principal and interest of loans.

Income from differences in the management of Deposit Protection Reserve Fund in each year may be used into the operation of the Deposit Protection Office based on the agreement of the Board of Directors.

Chapter 6

Members of Deposit Protection Office

Article 33 Membership Application

A commercial bank legally established in Lao PDR, before or after the enforcement of this Decree, shall be a member of Deposit Protection Office in compulsory basis.

A commercial bank shall submit a membership application

form to the Deposit Protection Office within 15 days from the date that this Decree is enforced or from the date that it received the business license, which include the following documents:

1. An application form for being membership;
2. A copy of its business license;
3. A copy of its enterprise license.

A deposit taking micro-finance institution legally established in Lao PDR, before or after the enforcement of this Decree, shall apply for membership and comply with the following criteria:

1. Be audited by the external audit firm at least 2 consecutive years;
2. Be able to pay the registered capital at least 50% of minimum registered capital as stipulated in article 10 of the Decree on Micro-Finance Institution No. 460/GOV, dated 03 October 2012;
3. Strictly comply with rules, and prudential regulations as defined by the Bank of the Lao PDR;
4. Be able to report in accordance with the form which periodically defined by the Bank of the Lao PDR accurately, completely and timely;
5. Have profit from its business performance at least 2 consecutive years;
6. Have non-performing loan less than 5 percent;
7. Be able to pay deposit premium to Deposit Protection Office as the ratio defined by the laws and regulations.

Article 34 Rights and Obligations of Members

A member has the following rights and obligations:

1. Get a certificate of membership;
2. Pay deposit premium in compliance with a specific regulation;
3. Provide data and information in compliance with forms prescribed by the Deposit Protection Office on monthly, quarterly and annually basis or upon the request from the Deposit

Protection Office;

4. Announce to the public pertaining to its membership registration by posting of certificate of membership and information on deposit protection from the Deposit Protection Office in all of its service units that operate deposit services;

5. Cooperate and coordinate with officials from the Deposit Protection Office when conducting its inspection;

6. Exercise other right and perform other obligation as provided in the laws and regulations.

Article 35 Deposit Premium Ratios

The Bank of the Lao PDR determines deposit premium ratio from time to time based on the proposal of the Deposit Protection Office. The deposit premium ratio by combining all currencies shall not exceed 1 percent of its average eligible deposit balance per annum.

Article 36 Payment of Deposit Premium

Payment of deposit premium shall be paid on quarterly basis based on the accounting year and shall be recorded as expense of the members.

Procedure and payment method shall be prescribed in a specific regulation of the Deposit Protection Office.

Article 37 Termination of Membership

A financial institution shall be terminated from its membership by the following criteria:

1. By dissolution and revoke of its business license;
2. After the Deposit Protection Office completed the deposit payout.

Chapter 7 Prohibitions

Article 38 Prohibition for Management and Employees of the Deposit Protection Office

Management and employees of the Deposit Protection Office are prohibited to:

1. Conduct a business, be a consultant, hold any technical position in a member relating to its responsibility;
2. Disclose information relevant to its members to others;
3. Ask for, request for, take a bribe, be partial, impede, conspire, counterfeit documents, abuse its position in order to achieve its own and group interests pertaining to the operation of the Deposit Protection Office;
4. Neglect its responsibilities or inappropriate acts of the Deposit Protection Office;
5. Purchase assets of failed member by any form;
6. Conduct other act against laws and regulations.

Article 39 Prohibitions of Members

Members are prohibited to:

1. Do not pay deposit premium or not pay in full amount as prescribed;
2. Do not report its financial statement and deposit information regularly to the Deposit Protection Office;
3. Counterfeit documents relating to deposit protection, which may cause damages to the rights and interests of depositors and the Deposit Protection Office;
4. Disseminate or provide information relating to deposit protection that is inaccurate or exaggerate to the public;
5. Obstruct, not facilitate or not cooperate with the official operation of relevant sectors;
6. Conduct other acts against laws and regulations.

Article 40 Prohibitions of Depositors

Depositors are prohibited to:

1. Create obstacle, intervene the tasks of the Deposit Protection Office when conducting its duty on deposit protection;
2. Counterfeit documents relating to its own deposits when requesting to receive its protected deposit;
3. Disseminate incorrectly on deposit protection that lead other people misunderstood or calumniates the Deposit Protection Office;
4. Conduct other acts against laws and regulations.

Chapter 8 Supervision and Inspection

Article 41 Supervision Authority

The government centrally and uniformly supervises the operation of deposit protection frameworks nationwide by assigning the Bank of the Lao PDR to be the main agency to cooperate with other relevant sectors.

Article 42 Rights and Duty of the Bank of the Lao PDR

The Bank of the Lao PDR has the rights and duties on supervising the Deposit Protection Office as follows:

1. Approve strategy plan and general policies on deposit protection;
2. Issue regulations on deposit protection;
3. Propose the Prime Minister on appointing the Board of Directors and the Director General of the Deposit Protection Office;
4. Appoint or remove the Deputy Director General of the Deposit Protection Office based on the proposal of the Board of Directors;
5. Ask for information or documents relating to the organization and operation of the Deposit Protection Office;
6. Supervise the operation of the Deposit Protection Office

and coordinate with other relevant sectors in order to exercise its rights and perform its obligations;

7. Exercise other rights and perform other duties as provided in the laws and regulations.

Article 43 Inspection Authority

The inspection authority on deposit protection consists of:

1. The Internal Audit Authority that is the same as the Supervision Authority as stipulated in the Article 41 of this Decree;

2. The External Audit Authority is the State Audit Organization.

Article 44 Contents of Inspection

The inspection on deposit protection shall have the following contents:

1. Implementation of policy and regulation on deposit protection;

2. Organization and operation of the Deposit Protection Office;

3. Equity Fund and financial statement of the Deposit Protection Office;

4. Other inspections as assigned by the Government.

Article 45 Forms of Inspection

The inspection on deposit protection takes on three forms as follow:

1. Regular inspection;

2. Inspection with advance notice;

3. Urgent inspection.

Regular inspection is conducted in accordance with plans and shall have a certain schedule.

Inspection with advance notice is an ad hoc inspection when it is deemed necessary, which shall inform the inspected person at least twenty-four hours in advance.

Urgent inspection is conducted when it is deemed necessary and in case of urgency without any advance notice to the Deposit Protection Office.

The inspection shall be conducted on the actual off-site and on-site basis at the relevant location of the operation.

Chapter 9

Reward Policy and Measure against Violator

Article 46 Reward Policy

Individual, legal entity or organization that has outstanding performance in implementation of this Decree will be commended or receive other incentives according to regulations.

Article 47 Measures against Violator

Individual, legal entity or organization that violates this Decree and regulations relevant to the deposit protection, which causes damage to the State and society, will be subjected to re-education, warning, disciplinary sanction, fine, civil compensation or criminal charge depending on the severity of the violation.

Article 48 Re-Educative Measures

Individual, legal entity or organization that violates this Decree such as prohibition with a minor and the first violation without intention shall be educated or warned as well as being recorded in written.

Article 49 Discipline Measures

Management or employee of the Deposit Protection Office that violates the prohibitions as provided in Article 38 of this Decree shall be subject to the following disciplinary measures:

1. Receive censure or warning for the offence as well as being recorded in his/her employment record;
2. Be suspended its promotion, level of salary and reward;
3. Be removed or moved to other positions that is lower

than the current position;

4. Be dismissed from being a government officer without receiving any reward.

The disciplined person shall return its assets attaining from such wrongdoing to its organization in full. In the event that the damage is considerable, the person will be subjected to prosecution.

Article 50 Fine Measures

Any member that violates the prohibition as provided in Article 39 item 1 of this Decree shall be imposed fine of 0.05 percent per day of its outstanding due amount after 5 business days of the warning.

Article 51 Civil Measures

Individual, legal entity or organization that causes damage to other person due to the operation of deposit protection shall compensate the losses in accordance with its action.

Article 52 Criminal Measures

Individual who violates laws and regulations on deposit protection, which is the criminal offence, will be subjected to punishment in accordance with the Criminal Law based on whether its case is minor or major.

**Chapter 10
Final Provisions**

Article 53 Logo and Seal

The Deposit Protection Office has its own logo and seal for its official activity.

Article 54 Implementation

The Bank of the Lao PDR, the Ministry of Finance, the

Deposit Protection Office, Members and Relevant Sectors shall strictly implement this Decree.

The Ministries, Government Agencies equivalent to Ministry and Local Administration acknowledge and cooperate with implementing this Decree in accordance with its role.

Article 55 Effectiveness

This Decree is effective from its date of signature and 15 days after its publication on the Official Gazette.

Any provision, rule incompatible with this Decree shall be hereby all repealed.

**Government of Lao PDR
Prime Minister**

Thongloun Sisoulith