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Bank of Lao PDR Issues Instruction on Converting Foreign Exchange Stores into Commercial Bank Representatives

Introduction

On 2 August 2021, the Monetary Policy Department, Bank of Lao PDR ("**BOL**") issued Instruction No. 878/MPD on the Transferring Foreign Exchange Stores into a Representative of a Commercial Bank ("**Instruction**"). The Instruction supplements/implements Notice No.758/MPD dated 12 July 2021 on the Converting Foreign Exchange Stores Representative of a Commercial Bank. To comply with the laws and relevant regulations, BOL has issued various guidelines which cover, among other things, the following:

- (a) Application to be a representative of a commercial bank;
- (b) Determining exchange rates and trading currencies; and
- (c) Operation of a foreign exchange store ("**FX Store**") after becoming an agent.

Application to be a Representative of a Commercial Bank

An FX Store shall coordinate with a commercial bank of its choice and apply to be a representative of such commercial bank ("**Agent**"). An FX Store can apply as an Agent with several commercial banks, but it can only sign a currency exchange agent agreement ("**Agreement**") with one bank. A commercial bank can accept more than one agent, depending on its ability to manage its agents periodically. Only the head office of the commercial bank has the right to sign the Agreement and issue the requisite certificate to the Agent.

Agreement to carry out currency exchange activity

The Instruction sets out the contents of the agreement between a commercial bank and FX Stores permitted by BOL to carry out currency exchange activity. The key provisions include the following:

- (a) Limits on the operation of the foreign exchange activity of the Agent;
- (b) Bank account;
- (c) Currency trading;
- (d) Report management;

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- (e) Data delivery channels;
- (f) Prohibitions;
- (g) Conflict resolution;
- (h) Contract renewal and termination; and
- (i) Other conditions in accordance with the scope of currency exchange activities of commercial banks and FX stores.

After the Agent has signed the Agreement and opened a currency exchange account, the commercial bank shall issue a certificate of currency exchange representation ("**Certificate**") to the Agent and notify BOL and its branches in the locality where the Agent is located ("**Local Branches**") of such status, until 20 October 2021. The Agent shall also report to BOL or the Local Branches within 10 days after the date of signing the Agreement and the issuance of the Certificate.

Determining Exchange Rates and Trading Currencies

The exchange rate of the FX Stores shall be in accordance with Decision No.801/BOL dated 5 October 2015 on "Determining the reference exchange rate between the LAK and USD and Determining the exchange rate of commercial banks and FX Stores" and other legislations defined by BOL periodically.

FX Stores can trade currencies with the commercial bank it represents under the Agreement, in compliance with the regulations of such commercial bank and that of BOL. Currency trading between the FX Stores and the public shall comply with Decision No.109/BOL dated 1 February 2019 on "Currency Trading with the public of Commercial Bank and FX Stores" and other regulations as may be issued by BOL.

Operation of FX Store After Becoming an Agent

The obligations of an FX Store after becoming an Agent include the following:

- (a) The Agent shall put up a store signage bearing clearly the name of the commercial bank it represents. It shall also indicate the name of the commercial bank and its name as the Agent in its currency exchange bills and other documents. The enterprise registration certificate, foreign exchange activity license, and Certificate issued by the commercial bank shall be prominently displayed in the Agent's own stores so the public can easily see them.
- (b) An FX Store can trade currencies by using a dedicated account for an agent opened only by the commercial bank with which it has signed an Agreement. The FX Store must notify the commercial bank it represents of any currency trading it had undertaken through a deposit account which was opened with another bank before the signing of the Agreement.

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- (c) It shall comply with its continuing obligations pursuant to Decision No.393/BOL dated 2 July 2020 on Currency Exchange Activity to (i) apply for a license to continue operating the annual currency exchange activity, (ii) report any change in registered capital (where appropriate), (iii) notify of any change of store location and other matters relating to the operation of the FX Store. The report must be approved and certified by the commercial bank it represents.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

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