

(Unofficial Translation)

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.



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

Lao Securities Commission

Ref. No. 019/LSC

Vientiane Capital, dated: 22nd Dec 2014

Regulation on Issuance of Corporate Bonds

- Pursuant to the Law on Securities, No. 21/NA, dated 10th Dec 2012;
- Pursuant to the Decree on Organization and Operation of the Lao Securities Commission, No. 188/PM, dated 24th Jul 2013; and
- Pursuant to the Proposal of the Lao Securities Commission Office, No. 1532/LSCO, dated 10th Dec 2014.

The Chairman of the Lao Securities Commission hereby issues this regulation:

**Section 1
General Provisions**

Article 1. Objectives

This regulation prescribes principles, rules and measures on the issuance of corporate bonds for companies to acquire funds in the Lao PDR in order to ensure that such activity is operated in an orderly, transparent, fair and efficient manner.

Article 2. Terms and interpretation

Terms used in this regulation have the same meaning as specified in the principal law. In this Regulation:

“An issuer of a corporate bond” means a company that is authorized by the Lao Securities Commission Office to sell its corporate bonds to investors;

“An audit company” means company that is authorized by the Lao Securities Commission Office to provide audit services in the area of securities;

“A reliability ranking company” means a company that is approved or authorized by the Lao Securities Commission Office to become a reliability ranking company in the area of securities;

“A financial advisor” means a securities company that is authorized by the Lao Securities Commission Office to provide financial advisory services;

“A guarantor of corporate bond issuance” means a securities company that is authorized by the Lao Securities Commission Office to operate securities businesses as a guarantor of the corporate bond issuance;

“A guarantor of debt repayment” means a commercial bank or other financial institution with reliability ranking that is approved by the Lao Securities Commission Office;

“An asset appraiser” means an asset appraisal committee or an asset appraisal company who is authorized by the competent authority, as well as approved by the Lao Securities Commission Office;

“A controlling stakeholder” means a shareholder who has a voting right either directly or indirectly, which is equivalent to more than twenty five percent of the company’s total shareholders who have voting rights or of members of executive management board and directors of the company who are involved in policy formulation, management or operating legitimate business of an issuer of corporate bonds;

“A corporate bond holding certificate” means a notarized document to investors on results of corporate bond’s purchase, corporate bond’s requirements and investors’ rights;

“A consolidated corporate bond certificate” means a corporate bond certificate that does not specify the name of the bondholder. The corporate bond issuer shall deposit such certificate at a securities depository center.

Article 3. Scope of application

This regulation shall be applied to companies wishing to issue corporate bonds, issuers of corporate bonds, securities companies, audit companies, liability ranking companies, custodian banks, commercial banks, assets appraisal

companies, persons, juristic persons, organization and other related parties involved in the issuance of corporate bonds in the Lao PDR.

Article 4. Characteristic of corporate bonds

A corporate bond shall have the main characteristic as follows:

1. Marketable and transferable;
2. Having returns;
3. Having maturity of 1, 3, 5, 7, 10 or 15 years;
4. Trading in Kip currency or other foreign currency as authorized by the Lao Securities Commission Office;
5. Having a face value as specified in a corporate bond certificate of at least one million Kip.

Article 5. Consolidated corporate bond certificate and corporate bond holding certificate

A consolidated corporate bond certificate and a corporate bond holding certificate shall comprise key information including:

1. The name of a corporate bond issuer;
2. Reference number of the enterprise registration certificate of a corporate bond issuer;
3. Reference number of a corporate bond certificate;
4. Registration date of a corporate bond certificate with a securities depository center;
5. Types of corporate bonds;
6. Terms and date of maturity of a corporate bond;
7. Returns;
8. Quantity of corporate bonds;
9. Face value in a corporate bond certificate;
10. Aggregate value of total corporate bonds;
11. Method, place, time for repayment of a corporate bond's principal and interests;
12. Signature of an authorized person and seal of an issuer of a corporate bond;
13. Rights of corporate bondholders.

Article 6. Forms of corporate bond issuance

Corporate bonds can be issued in two forms; to the public or to a limited circle.

Section 2

Issuance of corporate bonds to the public

Article 7. Issuance of corporate bonds to the public

Issuance of corporate bonds to the public refers to an issuance of corporate bonds to the public for the first time or an additional issuance that is advertised widely through mass media, whereby there are no limitations on the classification/type of a specific group of investors that have more than one hundred investors.

Article 8. Requirements for issuance of corporate bonds to the public

A company wishing to issue corporate bonds to the public shall meet the following requirements:

1. Be a public company or a company limited (except for a sole limited company)
2. Be established and operating for at least three years except for when the company is segregated, controlled or transformed into a new type of company from an entrepreneur or from an old company that was established and operated for at least three years;
3. Have a capital raising plan and a capital utilization plan approved by the shareholders' meeting;
4. Have a financial statement report, which was audited by an external audit company, of the latest financial year from the year of submitting an application. This along with supporting documents shall be submitted to the Lao Securities Commission Office in order to request the issuance of corporate bonds;
5. Have a custodian bank, which monitors and oversee benefits of shareholders;
6. Have a sufficient average profit of the last three financial years to cover the corporate bonds' total interests repayment in the following year;
7. Have a principal and interest repayment plan including an indication of sources of financing for such repayment;
8. Have a reliability ranking or a guarantee repayment. In instances when the reliability ranking is lower than BBB, a guarantee repayment is required;
9. Be able to repay the principal and interests of corporate bonds previously issued when they become due;
10. In instances when there is an additional issuance of the corporate bond, the total residual value of the corporate bond shall be less than thirty percent of the net asset value in accordance with the balance sheet of the most recent financial year prior to a submission of an application

and supported documents for the corporate bond issuance to the Lao Securities Commission Office;

11. Any other requirements as requested by the Lao Securities Commission Office.

Article 9. Supporting documents for the issuance of corporate bonds to the public

A company wishing to issue corporate bonds to the public shall submit the application and supporting documents to the Lao Securities Commission Office as follows:

1. An application for issuance of the corporate bond as required by the Lao Securities Commission Office;
2. A copy of the enterprise registration certificate and a copy of a concession license, where applicable;
3. A copy of the identity card of a tax payer;
4. A copy of a company's regulation;
5. Approved Minutes/Report of the shareholders' meeting concerning the corporate bond issuance;
6. List of shareholders possessing at least 1 percent of total shares;
7. A certified letter on the readiness to issue the corporate bond from a financial advisor and a guarantee of corporate bond issuance;
8. An asset appraisal report certified by an asset appraiser;
9. Financial statements for the previous financial year starting from the year of submitting an application and supporting documents to the Lao Securities Commission Office for the corporate bond issuance;
10. Documents relating to principal and interests repayment plan including an illustration of sources of financing for such repayment;
11. A prospectus;
12. Guarantee contract between the corporate bond's issuer and a guarantor for the issuance of the corporate bond;
13. A contract with a custodian bank to monitor and to safeguard the corporate bondholders' profits;
14. A reliability ranking report from a reliability ranking company, in instances when an issuer of a corporate bond does not have a guarantor for debt repayment;
15. A guarantee contract from a guarantor for debt repayment, in instances when an issuer of a corporate bond has not ranked its reliability or its reliability ranking is lower than BBB;
16. Any other documents as requested by the Lao Securities Commission Office.

A company wishing to issue corporate bonds shall work together with a financial advisor in preparing documents for the submission of a request to issue corporate bonds to the public each time and shall be accountable for the content and information contained in such documents and shall keep records of such relevant documents for at least 10 years.

Article 10. Financial statements

Financial statements of a company wishing to issue corporate bonds include a balance sheet statement, an income statement, a consolidated cash flows statement, a statement of changes in owners' equity and an explanation on the accounting principles, accounting methods used etc. An audit company shall audit the financial statements.

In instances where a company wishing to issue corporate bonds is company grouping, the financial statements shall indicate segregated and consolidated financial information.

In instances where a company wishing to issue corporate bonds submits an application and supporting documents for the issuance of corporate bonds to the public to the Lao Securities Commission Office after June 30th, it shall submit semi-annual financial statements for the year in which it applied for the corporate bond issuance. An audit company shall review that document.

In instances where an important event occurs after the date of submission of the most recent financial statements submitted to the Lao Securities Commission Office, a company wishing to issue the corporate bond shall additionally report about such event to the Lao Securities Commission Office in writing and also disclose in its prospectus.

Article 11. Prospectus

A prospectus for the issuance of corporate bonds to the public shall contain the following contents:

1. Information about the company such as risk factors, establishment and business operation history;
2. Information about members of board of directors, internal audit committee and board of directors;
3. Information about the corporate bond such as characteristics of the corporate bond, method of offering for sale, quantity, face value, selling price, projected period of offer the corporate bond for sale and terms of transferring the corporate bond;
4. Sources of finance for principal and interests repayment;
5. Returns and redemption plan when become due;
6. Proceeds utilization and business operating plan;
7. A names list of authority;
8. Information on legal disputes and related items;
9. Name and address of an audit company, a legal consulting company, a securities company and other related parties associated with a proposal for the corporate bond issuance;
10. Information on financial status of a company wishing to issue the corporate bond, which has been audited by an audit company.

Article 12. The guarantee of the corporate bond issuance to the public

For each issuance of the corporate bond to the public a company wishing to issue corporate bonds shall make a guarantee contract with the guarantor of the corporate bond issuance.

In instances where security companies guaranteed the corporate bond issuance, one security company shall be assigned on their behalf to make a guarantee contract with a company wishing to issue the corporate bond.

Article 13. Selection of custodian bank

For each issuance of corporate bonds to the public, the corporate bond issuer shall select and contract a custodian bank authorized by the Lao Securities Commission Office for it to monitor and oversee corporate bondholders' profits. The custodian bank's rights and functions are stipulated in the regulation on custodian banks. In addition, the custodian bank shall provide legal representation to corporate bondholders in instances where upon requesting compensation from the corporate bond issuer for any damage, the corporate bond issuer fails to repay the principal and interests to corporate bondholders within an agreed timeframe or fails to comply with terms stipulated in a corporate bond certificate.

Article 14. Reliability ranking

There shall be a reliability ranking done by a reliability ranking company for the issuance of corporate bond to the public.

In instances where the issuer of corporate bond engaged the services from foreign reliability ranking company, such reliability ranking company shall be certified by the Lao Securities Commission Office and shall comply with tax obligation and other obligations in accordance with laws and regulations of the Lao PDR.

Article 15. Guarantee of debt repayment

The issuance of corporate bonds to the public requires a guarantee of debt repayment from a guarantor in instances where there is no reliability ranking or the reliability ranking's result is below BBB.

In case that there are many guarantors, one guarantor shall be assigned to establish a guarantee contract with a company wishing to issue the corporate bond.

Article 16. Consideration of a request for the issuance of corporate bonds to the public

The Lao Securities Commission Office shall consider a request for the issuance of corporate bonds to the public within a period of forty-five days starting from the date of receiving the complete and accurate application and supporting documents. In instances where the Lao Securities Commission Office

denies a request for the issuance of corporate bonds to the public, the Lao Securities Commission Office shall notify such decision in writing, stating the reasons for the denial of the request.

When considering a request for the issuance of corporate bonds, the Lao Securities Commission Office has the right to request additional documents and information from the company wishing to issue corporate bonds to the public and from an audit company. The Lao Securities Commission Office also has the right to request meetings with the company wishing to issue corporate bonds to the public, its financial advisor, guarantor of the corporate bond issuance or other relevant parties to discuss the application for the issuance of corporate bonds. The Lao Securities Commission Office also has the right to visit the place of operation of the company applying for the issuance of a corporate bond and/or collect information on the company and other parties. The company applying for the issuance of a corporate bond and other parties shall facilitate the Lao Securities Commission Office in performing its duties and exercising its rights.

Article 17. Disclosure of Information on the plan to issue corporate bonds to the public

After the Lao Securities Commission Office receives a completed and accurate application and supporting documents requesting the issuance of corporate bonds to the public, the company wishing to issue a corporate bond can disclose information on the corporate bond issuance plan to the public in accordance with conditions contained in the supporting documents for the corporate bond issuance. A Company wishing to issue corporate bonds shall not disclose the value of the corporate bond issuance, returns, the period of the corporate bond issuance and other information that affects the corporate bond issuance to the public.

A company wishing to issue the corporate bond to the public shall report its information disclosure plan to the Lao Securities Commission Office at least one working day prior to the date of disclosure.

Article 18 Fees for the issuance of corporate bonds to the public

A company wishing to issue corporate bonds to the public shall be subjected to the following fees:

1. An application and supporting documents submission's fee of fifteen million Kip (15,000,000 Kip), which shall be paid on the date of submission of the application;
2. A fee for a license for the issuance of corporate bonds to the public. The licensing fee shall be equivalent to 0.03% of the total value of the corporate bond issuance but shall not be lower than thirty million Kip (30,000,000 Kip). This fee shall be paid within thirty days starting from the last day of the corporate bond issuance;

3. An annual administrative fee of ten million Kip (10,000,000 Kip). This fee shall be paid within the first quarter of each year except for the year of first corporate bond issuance.

Article 19. Procedures of the corporate bonds issuance to the public

After being approved by the Lao Securities Commission Office to issue corporate bonds to the public, a company wishing to issue corporate bonds shall carry out the following procedures:

1. Make an announcement on the authorization of the corporate bond issuance to the public;
2. Advertise the corporate bond issuance to the public through mass media;
3. Offer the corporate bond to the public for sale;
4. Issue corporate bond certificates to corporate bondholders.

The issuance of corporate bonds to the public shall be completed within ninety days starting from the date of granting permission to issue the corporate bond onward. In instances where the issuance of corporate bond to the public fails to be completed during the specified timeframe a company wishing to issue corporate bonds is able to submit a request to the Lao Securities Commission Office to extend the time for offering corporate bonds for sale. This extension of the time frame shall not exceed thirty days. The request shall be submitted to the Lao Securities Commission Office at least three working days prior to the end of the issuance of the corporate bonds.

In instances where the issuer of the corporate bond fails to offer all authorized quantities for sale at the outset and wishes to continue issuing the corporate bonds to exhaust the authorized quantities, the issuer shall report a plan for offering the residual quantities for sale to the Lao Securities Commission Office for consideration.

Article 20. Announcement of an approval for the issuance of corporate bonds to the public

After obtaining a license from the Lao Securities Commission Office for the issuance of corporate bonds to the public, a company wishing to issue corporate bonds shall announce such authorization to the public through mass media for at least five consecutive working days from the date of obtaining the license.

Article 21. Advertisement of the issuance of corporate bonds to the public through mass media

An issuer of corporate bonds to the public shall publish its prospectus and make available to the public via an information disclosure system as requested by the Lao Securities Commission Office and shall advertise the issuance of the

corporate bonds to the public through mass media at least for five working days prior to the issuance.

Article 22. Offering for sales of corporate bonds to the public

The issuance of corporate bonds may be done in a value-based auction or interest based auction or other methods, as agreed by the Lao Securities Commission Office.

A guarantor of the corporate bond issuance to the public shall notify investors of the value and interest rate of the corporate bond that will be offered for sale via mass media prior to the issuance of the corporate bond to the public before proceeding the auctions. After completing the auction the corporate bond issuer together with the guarantor of the corporate bond issuance to the public report, shall notify the Lao Securities Commission Office, in writing, of the result of the corporate bond issuance. This notification shall be made within five working days from the completion date of the issuance of the corporate bond to the public.

Article 23. Issuance of corporate bond certificates

A guarantor of the corporate bond issuance shall issue a corporate bond certificate to a corporate bond buyer within five working days from the completion date of the issuance of the corporate bonds to the public.

Article 24. Confirmation of the results of the issuance of the corporate bond

The Lao Securities Commission Office shall confirm results of the corporate bond issuance within five working days from the date of receiving the report of the results of the issuance of the corporate bond as specified in Article 22 of this regulation.

Article 25. Transfer of proceeds

After receiving the certificate of completion of the issuance of the corporate bond from the Lao Securities Commission Office, a guarantor of the corporate bond issuance shall transfer the proceeds from a specific account for the corporate bond subscription to a specific account for the proceeds of an issuer, which is opened in any commercial banks in the Lao PDR.

Article 26 The utilization of proceeds

An issuer of corporate bonds may utilize the proceeds attained from the corporate bond issuance to the public after receiving the certificate of completion of the issuance of the corporate bond to the public from the Lao Securities Commission Office and completing the corporate bond registration onward.

Section 3

Corporate bond issuance to limited circle

Article 27. Corporate bond issuance to a limited circle

The issuance of corporate bonds to limited circle refers to an offer of sale of the corporate bonds to eligible investors, institutions and individuals as determined by the Lao Securities Commission Office. The total number of investors shall not exceed one hundred within a one-year period and an institution should hold corporate bonds not exceeding eighty percent of the total corporate bond issued each time.

Article 28. Requirements for corporate bonds issuance to a limited circle

A company wishing to issue corporate bonds to a limited circle shall fulfill the requirements as specified in Article 8 (except for Clause 2) of this regulation. In addition, a company wishing to issue corporate bonds shall fulfill additional requirements such as establishing and operating its business for at least one year.

Article 29 Supporting documents for applying for the issuance of corporate bonds to a limited circle

A company wishing to issue corporate bonds to a limited circle shall submit an application and supporting documents to the Lao Securities Commission Office in accordance with Article 9 (except Clause 10) of this regulation.

A company wishing to issue corporate bonds shall consult a financial advisor in preparing the supporting documents to apply for each corporate bonds issuance to a limited circle. They shall be accountable for the content and information presented in these documents and shall further keep records of the related working documents for at least ten years.

Article 30 Fees relating to issuance of corporate bonds to a limited circle

A company wishing to issue corporate bonds to a limited circle shall pay fees in accordance with Clauses 1 and 3 of Article 18 of this regulation. The Company shall also pay additional fees such as a license fee of 0.01% of the total value of the corporate bonds offered for sale but this shall not be lower than thirty million Kip (30,000,000 Kip). This fee shall be paid within thirty days from the completion date of the issuance of the corporate bonds to limited circle onward.

Article 31. Procedures for the issuance of corporate bonds to a limited circle

After obtaining approval from the Lao Securities Commission Office to issue corporate bonds to eligible investors, the company shall undertake the following procedures:

1. Advertise the issuance of corporate bonds to a limited circle;
2. Offer the corporate bonds for sale to a limited circle;
3. Issue corporate bond certificates to corporate bondholders.

The issuance of corporate bonds to a limited circle shall be completed within ninety days from the date of obtaining an approval to issue the corporate bonds. In instances of failure to complete the issuance of corporate bonds to a limited circle within the aforementioned time, an issuer of corporate bonds may propose to the Lao Securities Commission Office to extend the time for offering the corporate bonds for sale. This extension shall not however exceed thirty days. The proposal for extension shall be made to the Lao Securities Commission Office at least three working days prior to the end date of the issuance of the corporate bonds.

Article 32. Application of provisions on corporate bonds issuance to the public

The preparation of financial statements, a prospectus, a guarantee of corporate bond issuance, a selection of custodian banks, reliability ranking, a guarantee of debt repayment, a consideration of an application for the corporate bond issuance, a report of results of the corporate bond issuance, and the utilization of proceeds shall be undertaken in accordance with the provisions of the corporate bonds issuance to the public as stipulated in Section 2 of this regulation.

Section 4

Registration, Depository, Trading of Corporate Bonds and Prohibition

Article 33. Registration and depository of corporate bonds

An issuer of corporate bonds to the public and a limited circle shall register its corporate bond certificate and deposit them in a securities depository center within 5 working days from the date of obtaining the corporate bond issuance certificate from the Lao Securities Commission Office.

Article 34. Trading of corporate bonds in secondary market

A corporate bond issued to the public shall be listed on a stock exchange market and can be traded in accordance with requirements, regulations and procedures of that stock exchange market.

Article 35. Prohibition

A company wishing to issue corporate bonds, a securities company, an audit company, a reliability ranking agency, a commercial bank, an asset appraisal company, persons, juristic persons, an organization and other related agencies to the corporate bond issuance are prohibited to behave either directly or indirectly in a manner specified in Articles 135 and 136 of the Law on Securities.

Section 5

Awards for good performers and measures against offenders

Article 36. Awards for good performers

A company wishing to issue corporate bonds, corporate bond issuers, a securities company, audit company, reliability ranking company, custodian bank, persons, juristic persons, organization, and other related parties to the corporate bond issuance, who have outstanding performance in implementing this regulation, shall be complimented and receive other awards in accordance with this regulation.

Article 37. Measures against offenders

A company wishing to issue corporate bonds, a securities company, an audit company, a reliability ranking company, a custodian bank, a commercial bank, persons, juristic persons, or an organization who violates this regulation, resulting in damages to the public sector, society or persons or juristic persons, shall be educated, reprimanded, disciplined, fined or charged for a criminal offence in accordance with Article 166, 167, 168, 169 and 170 of the law on securities and other related laws and regulations

Section 6

Final Provisions

Article 38. Implementation

The Lao Securities Commission Office, a company wishing to issue corporate bonds, an issuer of corporate bonds, a securities company, an audit company, a reliability ranking company, a custodian bank, a commercial bank, an asset appraisal company, persons, juristic persons, or an organization and other

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related parties to the issuance of corporate bonds shall acknowledge and strictly implement this regulation in accordance with its own rights and duties.

Article 19. Effectiveness

This regulation shall enter into force from the date of signature.

The Chairman of the Lao Securities Commission

(Signature and seal)

Dr. Bounpone Boudtanavong