

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity
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Bank of the Lao PDR

No. 619/BoL  
Vientiane Capital, 14 Aug 2014

**Decision**  
**On Sale-Purchase Forward Contract for Foreign Currency**

- Pursuant to the Law on the Bank of the Lao PDR, No. 05/NA, dated 14/10/1999;
- Pursuant to the Law on Commercial Bank No. 02/PO, dated 16 January 2006;
- Pursuant to the Presidential Edict on the Management of Foreign Exchange and Precious Metal, No. 01/PS, dated 17 March 2008.

**The Governor of the Bank of the Lao PDR hereby Agrees:**

**Article 1: Objectives**

This Decision determines the mechanism and fundamental condition in the operation of financial transaction in the form of forward sale-purchase of foreign currency to be used as the basis for the Bank of Lao PDR in the management of foreign exchange market of the Lao PDR and to perform the role as the final sources of foreign exchange provider, as well as to be a reference to commercial banks, branches of foreign commercial bank, business units to apply such form of financial transaction into the hedging from the fluctuation of exchange rate, including cost estimation (profit-loss) of enterprises, with the aim to make contribution to the development of currency market of the Lao PDR.

**Article 2: Sale-Purchase Forward Contract for Foreign Currency**

The Sale-Purchase Forward Contract for Foreign Currency is an agreement between the seller and buyer of foreign currency in the future through determination in advance of exchange rate, amount of Kip currency, amount of foreign currency, delivery date, and account no. of Buyer and Seller. Upon the delivery date, the Seller shall have obligation to transfer foreign currencies into the Buyer's account based on the amount provided in the Contract.

**Article 3: Scope of Use**

This Decision is enforceable to the members of open-market, market among the banks, commercial banks, branches of foreign commercial banks, business units which operate the transaction related to Sale-purchase Forward Contract for foreign currency in the Lao PDR.

**Article 4: Currency**

Foreign currencies which are authorized to conclude the Sale-purchase Forward Contract for Foreign Currency are as follows:

- Transaction between the Bank of the Lao PDR and the Commercial Bank can be conducted in 2 different currencies as follows: US Dollar and Thai Baht and all transactions shall be done through the Kip currency;
- Transaction between commercial bank or between commercial bank and business unit can be done in several currencies (Euro, Yen, Yuan, Australian Dollar and others) up to the discretion of the commercial bank and all transaction shall be done through the Kip currency.

**Article 5: Determination of Exchange Rate**

Each time of determination exchange rate of Commercial Bank must be conformed with the movement of exchange rate issued by the Bank of the Lao PDR in each period and shall comprise of the following 3 cases:

- In case that the Sale-purchase Forward Contract for Foreign Currency is made between the Bank of the Lao PDR and its members in opened-market and inter-bank market: the Bank of the Lao PDR is in charge of determining the exchange rate for the Sale-purchase Forward Contract for Foreign Currency in order to proceed with the sale-purchase in each period.
- In case that Sale-purchase Forward Contract for Foreign Currency is made between the members in the opening market or in the inter-bank market, determination of exchange rate for the Sale-Purchase Forward Contract for Foreign Currency shall be done on the basis of mutual agreement between the members in opening market or Buyer's Bank and Seller's Bank;
- In case that the Sale-Purchase Forward Contract for Foreign Currency is made between commercial bank and business unit, the commercial bank shall be in charge of determining the exchange rate for the Sale-purchase Forward Contract for Foreign Currency in each transaction for business units.

#### **Article 6: Duration**

The duration of the Sale-purchase Forward Contract for Foreign Currency comprise of : 7 days, 14 days, 3 months, 6 months, 9 months and 1 year.

#### **Article 7: Calculation Formula**

- The conclusion of Sale-purchase Forward Contract for Foreign Currency between the Bank of the Lao PDR and the members in opening market and inter-bank market, or between the members in opening market – inter-bank market must be conducted each day through the *Interbank* system, if there is any transaction occurred between the contracting parties, the checking account of such parties with the Bank of the Lao PDR shall be deducted in accordance with the accounting mechanism upon the expiration of the Contract as set forth in the Contract;
- In terms of the conclusion of the Sale-purchase Forward Contract for Foreign Currency in other currencies (several currencies as set forth in Article 4) between the members in opening market – inter-bank market, this shall be conducted in the form of OTC or through the electronic system available at the commercial bank and must report the forward foreign exchange to the Department of Monetary Policy, the Bank of the Lao PDR on a daily basis;
- The conclusion of the Sale-purchase Forward Contract for Foreign Currency between commercial bank and business unit shall be conducted in the form of OTC or through the electronic system available at the commercial bank and must report the forward foreign exchange to the Department of Monetary Policy, the Bank of the Lao PDR on a daily basis.

#### **Article 9: Qualification of Members**

The members who will engage in the transaction of forward foreign exchange must meet the qualification as provided in the rules for operation in opening market No. 05/BoL, dated 07 August 2007.

For the qualification of customer who wishes to engage in the transaction of forward foreign exchange with commercial bank, the commercial bank shall set the qualification as appropriate and in accordance with the Presidential Edict on the Management of Foreign Exchange and Precious Metal.

#### **Article 10: Transaction Opening Day**

The Sale-purchase Forward Contract for Foreign Currency shall be opened for transaction in every official days from 8:00 to 16:00.

**Article 11: Issuance of Associated Rules**

Commercial banks, foreign branches of commercial bank must formulate the rules related to the Sale-purchase Forward Contract for Foreign Currency in accordance with the Law on Commercial Bank No. 02/PO, dated 16 January 2006; and the Presidential Edict on the Management of Foreign Exchange and Precious Metal No. 01/PS, dated 17 March 2008, and must obtain the approval from the Bank of the Lao PDR.

**Article 12. Measures Against Violators**

Members of opening market, inter-bank market, commercial banks, foreign branches of commercial bank, business units that conclude Sale-purchase Forward Contract for Foreign Currency in the Lao PDR, in case of any failure to make a payment as set forth in Article 2 of this Decision, shall be imposed a fine following the fine rate provided in Article 12 of the rules for sale-purchase-deposit of foreign currencies No. 02/BoL, dated 28 April 2011.

**Article 13. Effectiveness**

This Decision shall be effective from the date of the signature onwards.

Governor of the Bank of the Lao PDR

[Signature and seal]

Dr. Somphao Phaisith