

Lao People's Democratic Republic
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Bank of the Lao PDR

No. 361/BoL  
Vientiane Capital, Dated 23/04/2012

**Decision**  
**On Method of Calculating Loan Interest and Fine of Commercial Bank**

- Pursuant to the Law on the Bank of the Lao PDR No. 05/NA, dated 14 October 1999;
- Pursuant to the Law on Commercial Bank No. 03/NA, dated 26 December 2006;
- Pursuant to the study and submission of the Bank Supervision Department.

**The Governor of the Bank of Lao PDR hereby issues the following Decision:**

**Article 1. Purpose**

This Decision sets out method of calculation of loan interest and fine of Commercial Bank for customers have outstanding payments in order to guarantee the right and interest of the borrower and the Commercial Bank; encourage the transparency and equity of supplying and applying the capital in the business manufacture.

**Article 2. Definitions**

1. "Loan" means the amount of money released by the Bank to individuals or legal entities under various forms, such as: loan, overdraft, advance payment for customer and other types of loan;
2. "Loan for business production" means loan to be used in the business operation, such as: industry, handicraft, construction, agriculture, trade, service and others;
3. "Loan for consumption" means loan intended to response to the need of consumer who is individual or household, such as: residence, household utensil, vehicles, scholarship, treatment and others, as specified by the bank of the Lao PDR;
4. "Reducing form of calculating interest" means the interest calculation based on the actual amount of gross outstanding loan (capital) on the date the Bank starts calculating the interest;
5. "Equal form of calculating interest" means the interest calculation based on the total amount of loan being approved. Such interest, upon the calculation, shall be added to the amount of loan being approved then to divided in different batch of payment in the equal amount or based on the agreement between the Bank of the Lao PDR and borrower, as specified in the loan agreement;
6. "Outstanding payment" means the amount of money either being interest or capital or both the interest and capital paid by the customer in according to the duration provided in the Agreement.

**Article 3. The Application of Method for Loan Interest Calculation of Commercial Bank.**

The application of method for loan interest calculation of the Commercial Bank should be as follows:

1) To calculate the interest on loan for business production, the Commercial Bank should use the reduction method. In case of the loan for short-term business operation less than 1 year with the amount of loan less than 15,000,000 kip (fifteen million kip) the Bank can either reducing method or equal method, based on the agreement reached with the customer;

2) To calculate the interest on loan for consumption, the Commercial Bank can apply either the reducing method or the equal method, based on the agreement reached with the customer.

#### Article 4. Fine

The Commercial Bank can fine customer who violates the loan agreement if the fine measures were provided in the loan agreement. The fine shall be done in comply with the rules set out by the Bank. The maximum level of fine shall not exceed 150% of the interest rate specified in the Agreement.

Regarding the method for determining the fine rate and for calculating the amount of fine, the Commercial Bank must follow these steps:

Fine rate  $\leq$  (interest rate in the loan agreement x 150%)

Amount of fine = Amount of outstanding payment x number of outstanding day x  $\frac{\text{Fine}}{360 \text{ days}}$

#### Article 5. Responsibility of the Commercial Bank

The Commercial Bank shall specify in the agreement the method of calculating interest, fine, and method of calculating amount of fine in each case, and shall notify, advise the borrower prior to the signing of the agreement. Meanwhile, the Bank shall set up a payment plan to be attached with the loan agreement for reference in keeping track of the payment.

#### Article 6. Prohibition

In the operation of business involved in loan providing, the Commercial Bank shall be prohibited from deducting the amount of loan in order to pay interest, the capital for advance loan, unless otherwise being authorized by the Bank of the Lao PDR.

#### Article 7. Measures against Violator

The Bank of the Lao PDR shall apply measures toward to Commercial Bank which violated this Decision on a case-by-case basis, in accordance with a Decision on measures against the violation of the Commercial Bank No. 811/BoL, dated 18 October 2010 or in accordance with other provisions issued by the Bank of the Lao PDR in each period.

#### Article 8. Implementation

The Commercial Bank shall strictly implement this Decision. The Financial Institution Supervision Department is assigned to monitor the implementation.

#### Article 9. Effectiveness

Unofficial translation

This Decision shall become effective from the signing date.

Governor of the Bank of the Lao PDR

[signed and seal]

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