



No. 25/LSX
Vientiane, date 07 January 2011

Clearing and Settlement Regulation

- Pursuant to Decree on Securities and Securities Exchange ,No 255 /PM, dated 24th May 2010;
- Pursuant to Decision on Securities Exchange Supervision Regulation, No 012/SEC, dated 10th Nov 2010.

Lao Securities Exchange regulates that:

Section 1: General Provisions

Article 1. Objective

The purpose of this Regulation is to stipulate the matters necessary for clearing and settlement in the securities market (“the Market”) that the Lao Securities Exchange (“the LSX”) has established pursuant to the Government Decree on Securities and Securities Market (“the Decree”).

Article 2. Definitions of terms

- (1) The term “Member” shall refer to the general member or participant stipulated in Membership Regulation.
- (2) The term “Joint Compensation Fund” shall refer to the joint compensation fund stipulated in the Membership Regulation.
- (3) The term “Clearing house” shall refer to the Securities Depository Center’s role as a Central Counterparty (“the CCP”) to make clearing and settlement relating to securities transaction within the LSX market
- (4) The term “Cash Payment” shall refer to the cash to settle the transaction within the LSX market.
- (5) The term “Securities Payment” shall refer to the securities to settle the transaction within the LSX market.

(6) The terms “Settlement Bank” shall refer to the bank designated by the LSX, for carrying out the settlement among members and LSX.

(7) The terms “Correspondent Bank” shall refer to the bank designated by the securities company for carrying out the settlement between member and customer.

Section 2: Settlement between member and LSX

Article 3. Clearing House

(1) The LSX shall act as a clearing house pursuant to the role of Securities Depository Center in [Article 55] of the Decree to make a clearing and settlement relating to securities transaction.

(2) Upon trade confirmation, the LSX, as a CCP, shall assume the liabilities of a member and undertakes to fulfill its obligation to deliver or to pay each member.

(3) The concerned member shall assume the same liability that the LSX has assumed against the LSX and free from the liability against the original counterparty.

Article 4. Determination of the Settlement Obligations

Members shall not entrust the settlement of transactions to other members, and shall fulfill their settlement before the settlement deadline. The LSX shall determine the amount of securities and payment that a member must deliver by netting the securities and payment amounts of the same settlement date per member, calculated by following methods:

1. In case of securities, the quantity obtained by netting the total sold quantity and total purchased quantity per issue for the concerned member; and,
2. In case of cash, by netting the total purchased value and the total sold value of the concerned member.

Article 5. Settlement Details to be notified to Member

The LSX shall notify the following items to the member before the settlement deadline.

1. Dates of trade and settlement;
2. Quantity per issue of proprietary/customer securities payment;
3. Proprietary/customer settlement amount; and
4. Other details that are deemed to necessary for the settlement.

Article 6. Settlement Date and Settlement Time

(1) Settlement shall be completed on the second business day after the trade date. In case of counting the number of days, the market closing days shall be excluded.

(2) The member shall deliver the securities and cash payment to the LSX before 2:00 pm on the settlement date, and the LSX shall hand over the securities and cash payment to the members after 2:00 pm on the settlement date.

(3) Notwithstanding Paras.(1) and (2), the LSX may change the settlement date or settlement time when it deemed necessary due to force majeure and sudden and significant changes in economic conditions, other similar circumstances thereto, or computer system failures.

Article 7. Settlement Bank and Payment Account

(1) Bank of Lao PDR acts as a settlement bank to fulfill the settlement obligation effectively with members.

(2) A member may appoint any commercial bank to act as a correspondent bank in order to perform the settlement efficiently. In this case, member should submit to the LSX the copy of agreement and other necessary documents by the LSX between bank and member.

(3) Correspondent bank shall open cash account at a settlement bank and a member shall open an account at LSX on its own name in order to fulfill the obligation to deliver the cash and securities payment.

(4) Cash payment shall be delivered through a cash account and securities payment shall be delivered by using book-entry transfer between the LSX and the member.

(5) Settlement currency shall be the currency traded in the LSX market.

Article 8. Settlement Representative

(1) Each member shall appoint at least 1 settlement representative, who will be trained by the LSX, and make them work for the clearing and settlement on the trading floor of the LSX.

(2) Each member shall submit an appropriate application to the LSX to register as the settlement representatives.

(3) The market representatives appointed by a member in accordance with Market Operation Regulation, shall also be settlement representatives who are responsible for settlement obligation.

Article 9. Measures against Settlement Failure

(1) To reduce the risk of settlement failure, the LSX may require its members to make deposit of whole deposit money and securities in case of purchase before placing orders by separately specifying the issues, members, or types of accounts.

(2) In case where any member has failed to, or is suspected to fail to settle a trade, the LSX may suspend trading by such a member for a fixed period of time, and withhold the handover of securities and cash payment, in whole, that are due to such member for settlement.

(3) In case where the LSX has compensated the loss due to the settlement failure cause by a member, the LSX may dispose the payments and the securities, and apply them to the collection of the claims against the failed member

Article 10. Use of Joint Compensation Fund

(1) In case where a member fails to fulfill its settlement obligations for the transactions carried out in the LSX Market, the LSX shall compensate the damages caused by the settlement failure with the amount the concerned member contributed to the Joint Compensation Fund.

(2) In case where the damages caused by the settlement failure cannot be fully compensated pursuant to Para.(1), the LSX shall compensate the damages using the Joint Compensation Fund of the market where the settlement failure has occurred, which are contributed by other members.

(3) In case where the damages of settlement failure are compensated pursuant to Paras.(1) or (2), the LSX shall restore the amount used by filing a claim for reimbursement against the member that has failed to fulfill its settlement obligations.

Section 3: Settlement between Member and Customer

Article 11. Settlement between Member and Customer

(1) The settlement deadline between the member and its customer shall be 10:00 a.m. on the settlement date. However, the LSX may, when it is deemed necessary for the market management, change the deadline.

(2) The member shall settle the trade after having received the securities and cash payment from its customers by 10:00 am. In this case, the concerned member may when the good faith deposit for the concerned trade is available pursuant to the Article 33 of Market Operation Regulation, use it as securities and cash payment.

(3) Settlement currency between the member and the customer shall be the currency traded in the LSX.

Article 12. Customer Settlement Account

(1) A customer shall open its accounts in correspondent bank for the efficient settlement process.

(2) A customer, who intends trade securities, shall transfer cash placing an order from his/her account pursuant to Para.(1) to aggregated account designated by the member as a margin.

(3) Pursuant to Para.(1), cash payment may be delivered by using cash transfer between

the accounts of customer and the member.

Article 13. Measures against Settlement Failure

(1) The member may, when the customer fails to settle securities and/or cash payment by the settlement deadline, settle the concerned trade with its own cash or identical securities. In case where there is any unsettled amount remained after such settlement, the member may supplement the shortage by disposing of the concerned purchased securities or sold amount at its discretion, or appropriating the cash and securities of a concerned customer in member's possession.

(2) The member may, when a customer accumulates an overdue balance including the failure to settle securities and cash payment, collect the interest on the arrears for the overdue period

Article 14. Separate and Safe Custody

(1) A member shall keep securities and cash of each customer separately in a safe place.

(2) A member shall maintain a separate record of money for each customer, showing the name and address, date, amounts of deposits and withdrawals.

(3) A member shall notify its customer in writing after accepting custody of securities or cash from the customer at least once every 6 months.

Article 15. Clearing and Settlement Fee

(1) The LSX shall collect clearing and settlement fee in relation to services provided pursuant to this Regulation.

(2) Calculation method for clearing and settlement fee, payers and time of payment are as follows:

1. Rate: The fee for the clearing and settlement service shall be levied on the amount of value of trade settled (the amount of fee calculated shall be rounded down to the first decimal place) at the rate noted in the following items:
 - a. Stocks: 0.1%; and
 - b. Bonds: 0.01%
2. Payers: LSX member securities companies.
3. Time of Payment: 2:00 pm on the settlement day.

(3) Notwithstanding Paras. (1) and (2), the LSX may reduce fee amount or waive imposition within a certain scope, when it deems necessary to rationalize operation of the Securities Market.

Section 4: Final Provisions

Article 16. Implementation

LSX and the related sectors shall acknowledge and implement this regulation strictly pursuant to its rights and duties.

Article 17. Effectiveness

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

Chairman & CEO of Lao Securities Exchange

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