



No. 26/LSX

Vientiane, date 07 January 2011

## Deposit Regulation

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

**Lao Securities Exchange regulates that:**

### Chapter 1: General Provisions

#### Article 1. Purpose

The purpose of this Regulation is to stipulate the matters necessary for depositing and transferring of securities in the Lao Securities Exchange (hereinafter, “the LSX”) pursuant to the Government Decree on Securities and Securities Market (hereinafter, “the Decree”).

#### Article 2. Definitions

(1) The term “Depository participant (hereinafter, ‘the Participants’)” shall mean those participants who open a depository account with the LSX for deposit, withdrawal, book-entry delivery (or transfer) for settlement and entitlements processing of securities.

(2) The term “Deposit-eligible securities” shall mean securities that are designated as eligible for deposit with the LSX.

(3) The term “Lost or stolen securities” shall mean securities that are reported as ascertained to the lost or stolen securities, or are under public notice by court or judged nullified by the court due to such reasons as theft, loss, or damage, and those that are forged or altered.

### **Article 3.      Deposit-Eligible Securities**

(1) The LSX shall designate following securities as deposit-eligible securities reviewing the securities' transferability, uniform securities certificate and/or other related regulations:

1. Securities listed on the LSX;
2. Stocks newly issued by a issuing company of eligible securities; and,
3. Other securities deemed necessary and separately designated by the LSX.

(2) Notwithstanding Para.(1), the LSX may cancel or reject the designation of deposit-eligibility if such designation becomes unnecessary for the securities due to de-listing from the LSX or if the LSX deems it necessary for the protection of investors.

(3) In case where the LSX designates the designation of eligibility, it shall notify the participant and the issuing company of the intention and the scheduled date in advance.

(4) In case where the LSX cancel the designation of eligibility, it shall notify the participant and the issuing company of the intention and return to the participant, and issuing company the deposited balance of those ineligible securities

(5) In case where the securities returned by the LSX are pledged securities pursuant to Para.(3), they shall be returned to the pledgee after notifying the pledgor of such action.

### **Article 4.      Management of Issuance Details**

(1) The LSX shall receive following things from issuing companies:

1. Issue type, number of issuance, denomination, and identification numbers;
2. Total issue amount;
3. Conditions and reasons of issuance; and
4. Issue date, listing date, and other matters that are necessary such as entitlements to the securities.

(2) The LSX shall receive following things within 7 days from issuing companies on lost or stolen securities:

1. Issue type, number of issuance, denomination, and identification numbers of securities that are reported lost or stolen;
2. Name and address of the person who reported the lost or stolen securities; and
3. Date and other matters that are necessary.

(3) The LSX shall notify details of securities issuance and lost or stolen securities to participants.

## **Article 5. Administering Specimen Securities**

(1) The LSX shall receive specimen of eligible securities from issuing companies to keep the details of eligible securities. In case where eligible securities are recognized to be issued consecutively in the same form, the issuing company shall not need to submit the specimen of eligible securities.

(2) Notwithstanding Para.(1), the photocopies of subject securities may be accepted as specimen securities, if the LSX cannot receive specimens for reasons that the issuing company cannot newly produce specimens for outstanding securities or for some other unavoidable reasons.

## **Chapter 2: Administering Accounts**

### **Article 6. Participant and Opening of Accounts**

(1) The participants who can open an account at the LSX shall be as follows:

1. Securities companies;
2. Banks;
3. Insurance companies;
4. Other institutional investors;
5. Securities-listed companies;
6. Foreign depositories; and
7. Other institutions deemed necessary by the LSX.

(2) The participant who intends to open an account with the LSX shall submit “Application Form for Opening an Account” and be approved by the LSX within 7 days.

(3) The LSX shall determine if the applicant satisfies to be a participant by verifying the details stated in the application form.

(4) the application form for opening an account shall include following documents:

- a. A copy of company register certificate.
- b. A copy of certificate of corporate seal impression.
- c. A copy of business licence certificate.
- d. A copy of tax registration certificate.
- e. A copy of correspondent bank agreement.
- f. A copy of passbook on correspondent bank.

### **Article 7. Participant Account Book**

(1) The LSX shall maintain the Participant Account Book including following information for each participant with regard to deposited securities:

1. Name and address of the participant;
2. Class and quantity of deposited securities and the name of issuing company;

3. Reason for credit(+) or debit(-) of deposited securities;
4. In case where deposited securities are an object of pledge, the name and address of pledgor;
5. In case where deposited securities are subject to limitation on disposal, the mark as such and the date when the court order on attachment or court order is delivered; and
6. Other necessary matters deemed necessary by the LSX.

(2) Participants' proprietary holdings shall be separately recorded from those of their customers.

(3) The Participant Account Book shall be maintained for 10 years.

#### **Article 8. Customer Account Book**

(1) A participant that deposits a customer's securities at the LSX with the customer's consent shall maintain a Customer Account Book including following information:

1. Name and address of the customer; and
2. Matters kept and maintained in the Participant Account Book.

(2) The Customer Account Book shall be maintained for 10 years.

#### **Article 9. Effective Date of Deposit**

Deposit, withdrawal, and book-entry delivery, etc. under this Regulation shall be effective at the time of entry of Participant Account Book.

#### **Article 10. Closing of Accounts**

(1) The LSX may close the account of a Participant in case where the Participant falls under any of the following:

1. A Participant requests that its account be closed;
2. A Participant fails to meet the application requirements;
3. The LSX judges that a Participant damages or is likely to damage other Participants as a result of violating the Decree or regulations thereof;
4. A Participant fails to use its account for one year; and
5. Other cases deemed necessary by the LSX.

(2) In case where there is a deposit balance before closing the Participant's Account Book, the LSX shall return it without delay.

### **Chapter 3: Centralized Deposit and Book-entry Delivery**

#### **Article 11. Depositing Securities**

(1) When a Participant intends to deposit securities with the LSX, it shall submit

“Application Form for Deposit of Securities.” But a Participant as a pledgee of securities shall not need to submit the Application Form for Deposit of Securities.

(2) Securities newly issued from the exercise of rights on deposited securities shall be deemed to have taken the procedure for deposit application for Participants.

(3) The LSX shall not accept following securities:

1. Securities reported to have been lost or stolen;
2. Securities of which identities have become illegible due to stains or damages;
3. Old securities in case where new securities certificates have been issued due to mergers, stock splits, reverse splits or company name changes; and
4. Other securities that is incomplete for rights exercising.

(4) Securities deposited in the LSX shall be deemed as deposited in the name of the LSX.

(5) Shareholders in the Participant Account Book and Customers Account Book shall be deemed as shareholders in the shareholder register book referred in [Article 107] of the Enterprise Law.

(6) Book-Entry Transfer in shareholder register book has a same effect as the transfer of shares referred in [Article 185] of the Enterprise Law.

## **Article 12. Restricting Deposits**

The LSX may, when it falls under any of the following cases, restrict securities deposit. This restriction does not apply, however, to the cases of settlement in the LSX market:

1. In case a closing date of fiscal year and record date of shareholder’s book (hereinafter, the “closing date”) is set: the day before and the day of the closing date;
2. In case the deadline for request for reverse split or split of stocks, replacement of stocks or conversion of stocks exists: the day before and the day of the deadline;
3. In case of redeeming principal and interest on deposited corporate bonds: 2 business days before the principal and interest payment commencement date; and
4. When the LSX deems necessary for the operations. In this case the LSX shall provide notice in advance to the relevant Participants of its intention and period of restriction.

## **Article 13. Fungible Custody of Deposited Securities**

(1) When the LSX receives securities for deposit from a Participant, it may commingle the securities with holdings of other Participants by class and issue type.

(2) Securities listed in an exchange can be in a scripless form.

(3) Listed stocks shall be deposited in a LSX Securities Depository Center.

(4) Securities certificates of each issuer may have the same (uniform) standard securities

as specified by the Instruction of the Securities and Exchange Commission.

**Article 14. Non-bearing of Share Certificates**

Any shareholder may declare to the company that he/she will not bear share certificate as to his/her registered shares.

**Article 15. Requesting Withdrawals**

(1) When a Participant intends to withdraw securities, it shall submit an “Application Form for Withdrawal of Securities.”

(2) When the LSX returns securities, it shall return the securities of the same class and issue type as those that are deposited.

**Article 16. Restricting Withdrawals**

(1) The LSX may, when it falls under any of the following cases, restrict withdrawal of securities:

1. In case when shareholders request to withdraw the deposited securities, the issuing company shall assume the cost of printing shares.
2. In case a Participant is likely to be bankruptcy or a situation of suspension of its main business; and
3. When the LSX deems necessary for the operations.

(2) The provisions of [Article 12] shall apply *mutatis mutandis* to the cases where securities withdrawal is restricted.

**Article 17. Book-entry Deliveries for Settlement**

(1) When a Participant intends to transfer securities across accounts, it shall submit an “Application Form for Book-entry Delivery. However, Application Form for Book-entry Delivery is not necessary for the purpose of the settlement of securities traded on the LSX.

(2) The LSX shall, when it falls under any of the following cases, restrict book-entry delivery:

1. In case where securities are in the process of newly issued from the exercise of rights: until the LSX takes delivery of the securities or until their listing on the LSX;
2. In case where securities are in the process of reverse split or split of stocks, replacement of stocks or conversion of stocks: the day before or on the day of the deadline;

3. In case where bonds that are needed for principal and interest payment: 2 business days before the principal and interest payment commencement date; and
4. Other cases deemed necessary for the operations by the LSX.

#### **Article 18. Administering Customers' Deposits**

- (1) In case where a Participant receives securities from customers, it shall enter the details in the Customer Account Book and deposit them with the LSX after clearly indicating they belong to customers.
- (2) In case where a Participant receives requests from its customers for withdrawal, book-entry deliveries, it shall enter the details in the Customer Account Book and make requests to the LSX.

#### **Article 19. Establishing or Canceling Pledges**

- (1) A Participant who intends to establish a pledge against its deposited securities shall submit an "Application Form for Pledge of Deposited Securities." Pledging by the pledgee, however, requires prior consent of the pledgor.
- (2) A Participant who intends to cancel a pledge of deposited securities shall submit an "Application Form for Pledge Cancellation." Cancellation of pledge by the pledgor, however, requires prior consent of the pledgee.
- (3) In case where a Participant, who is a pledgee, intends to transfer pledged securities to its own account, the participant shall submit an "Application Form for Transfer of Pledged Securities."

### **Chapter 4: Entitlements Processing on Deposited Securities**

#### **Article 20. Notifying Statements on Beneficial Owners**

- (1) In case where the LSX receives notification on the closing date from an issuing company, the LSX shall notify such facts to Participants.
- (2) In case where a Participant receives notification pursuant to Para.(1), the Participant shall provide the LSX with a Statement on Beneficial Owners that reflects the respective holdings of itself and its customers, and following things:
  1. Information on the securities holder;
  2. The issuer's name and business registration certificate;
  3. Type of securities;
  4. Amount and par value of the securities;
  5. Date of securities offering and a securities code that is registered at the Office;
  6. Terms and conditions on dividend or interest payment;
  7. Terms and conditions on of principle repayment in case of bond securities;
  8. Reference number of the certificate;
  9. Authorized signature and official stamp of the issuer;

10. Instructions on how to use the Securities Depository Book; and
11. Other cases deemed necessary for the operations by the LSX.

(3) The Participant's statement pursuant to Para.(2) shall be provided within the period as follows:

1. In case of general meeting of shareholders and interim dividend: within 10 business days from the closing or record date; and
2. Other cases: within 7 business days from the closing or record date.

(4) In case where the LSX receives Statement on Beneficial Owners pursuant to Para. (2), the LSX shall notify such facts to the issuing company or the company's transfer agent within 5 business days.

#### **Article 21. Transferring Securities Held in the LSX's Name**

The LSX shall, as for deposited securities, register share certificate in its name before the closing date or recording date in the shareholder register book.

#### **Article 22. Declaring Share Certificates Non-bearing**

The LSX may, subject to the related laws and regulations, apply for Stock Share Certificate Non-Bearing for the Stocks Securities that are registered in its name.

#### **Article 23. Exercising Rights on Entry in Shareholder's Book**

The LSX shall exercise following rights as a shareholder in relation to deposited stocks registered in its name:

1. Apply for a split or reverse split of stock certificates;
2. Apply for overall replacement of stock certificates in case of merger of an issuing company;
3. Receive newly issued stock certificates resulting from a capitalization of reserves, stock dividends, exercise of subscription rights, etc.;
4. Apply for public notice by court for lost or stolen stock certificates; and
5. Other rights similar to those stipulated in 1 through 4 herein.

### **Chapter 5: Handling Lost or Stolen Securities**

#### **Article 24. Lost or Stolen Securities in Custody**

(1) In case the LSX finds deposited securities that have been reported lost or stolen, or in the process of public notice by court, it shall notify the relevant Participant. If the securities are carrying encumbrances in exercising rights, the LSX shall debit the Participant's account by the corresponding quantity of the securities.

(2) In case LSX finds deposited securities that have been judged nullified by court or

that have been counterfeit or forged, it shall notify the relevant Participant and debit(-) its account by the corresponding quantity of the securities.

(3) In case the quantity of lost or stolen securities exceeds the Participant's current balance when debiting a Participant's account, the Participant shall cover the shortage by additionally depositing securities in same issue and quantity. It is provided, however, that if immediate provision of securities deposit is not available, the LSX records the quantity of shortage in the account book of the Participant who is responsible for the shortage and collateralize 130% of the closing price of the issues as of the previous day of the day such shortage arises.

(4) In case where the Participant does not provide collateral, the LSX can collateralize the cash incoming into the Participant's account or securities deposited in the account.

(5) After collateralizing, the LSX shall notify the Participant to make up the shortage within 7 business days. If the Participant fails to make up the shortage within the stated period, the LSX may use the cash and then the securities collateralized for making up the shortage.

(6) In the event of using the cash and securities collateral at its disposal, the LSX shall dispose of the securities by selling them on the LSX market at the lowest price.

(7) Provisions under Para.(1) through (6) herein shall apply to cases where securities deposited at Participants by their customers turn out to be lost or stolen ones.

#### **Article 25. Requesting for Exchange of Lost or Stolen Securities**

(1) In case where a Participant finds that the securities withdrawn from the LSX are those reported as lost or stolen before their withdrawal, it may request the LSX to replace the concerned securities with the regular securities.

(2) On receiving an exchange request pursuant to Para.(1), the LSX shall notify the Participant and request substitutes to be provided immediately.

(3) The provisions of Para.(1) and (2) shall apply when a customer finds securities that have been withdrawn from a Participant are reported lost or stolen.

#### **Article 26. Paying Principal and Interest on Lost or Stolen Securities**

(1) In case the LSX cannot receive income payments on specific deposited securities because they have been reported as lost or stolen, it shall notify the Participant and debit(-) its account by the amount of incomes in question.

(2) When the amount of income payments on lost or stolen securities exceeds that to be paid to the Participant that deposited lost or stolen securities, the Participant shall make up the shortage immediately.

(3) [Article 24 (4), (5), (6)] shall apply to case where a Participant makes up the shortage of principal and interest pursuant to Para(2).

## **Chapter 6: Supplementary Provisions**

### **Article 27. Designation of Financial Institute**

- (1) The LSX may designate financial institutions for the purpose of receiving and paying principal, interest, and dividends if it deems necessary.
- (2) A Participant who intends to use the financial institutions shall submit an “Application Form for fund transfer” after designating bank account to receive principal, interest, and dividends.

### **Article 28. Reporting and Inspection on Deposit**

The LSX may require Participants to report or submit information on deposit and may inspect related account books or the state of securities under custody of the Participants, if the LSX deems necessary for a smooth operation of its deposit business.

### **Article 29. Notifications**

- (1) Each Participant is required to submit an appropriate application to the LSX to register the name seal and/or signature it will use for withdrawals, book-entry transactions, applications for exercising rights on deposited securities, and receiving income payments including principal and interest.
- (2) Only the market representative who was designated by a Participant shall be allowed to receive or deliver securities and payments, or submitting an application for exercising rights, etc.
- (3) In case a Participant intends to change name, address, business registration number, or registered seal impression, it shall notify the LSX of such changes by submitting the appropriate application form.

### **Article 30. Notifying Deposit Balance**

The LSX shall notify Participants of their balance of deposited securities as of the end of each month. This notification of account balance may be substituted by submitting a copy of the Participant Account Book of the Participant.

### **Article 31. Nomination of the depository representatives**

- (1) Each member shall appoint at least one (1) depository representative, who will be trained by the LSX, and make them work on Securities deposit, withdrawal and transfer in the LSX.
- (2) Each member shall submit an appropriate application to the LSX to register the

depository representatives.

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

#### **Article 32. Service Fees**

(1) The LSX shall collect the Securities Deposit Fee, Book-entry Settlement Fee for the services provided pursuant to this Regulation.

(2) Notwithstanding Para. (1), the LSX may reduce or waive the fees within a certain limit, when it deems necessary to rationalize the operation of Securities Deposit & Settlement System.

#### **< Securities Deposit Fee and Book-entry Settlement Fee >**

##### **1. Securities Deposit Fee**

A. Rate : 0.001% of deposited balance. In this case, the fee shall be levied on the daily deposit balance reflected on each Participant Account Book.

B. Payers: Participants other than securities companies

C. Time of Payment: By the 20<sup>th</sup> of the month following the month in which such fees have occurred.

##### **2. Book-entry Settlement Fee**

A. Rate :

The fee for the settlement service shall be levied on the amount of value of trade settled (the amount of fee calculated shall be rounded up to the first decimal place) at the rate noted in the following items:

(1) Stocks : 0.1%

(2) Bonds : 0.0025%

B. Payers: LSX member securities companies.

C. Time of Payment: 2:00 pm on the settlement day.

### **Chapter 7: Final Provisions**

#### **Article 33. Implementation**

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

**Article 34. Effectiveness**

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

**Chairman & CEO of Lao Securities Exchange**

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**Dethphouvang MOULARAT**