

(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**

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Bank of the Lao PDR

Accounting-Finance Department

Ref. No. 207/AFD

Vientiane capital, dated 15 December 2010

**Instruction
on Accounting for Commercial Banks and Financial Institutions
relating to Securities Transaction**

- Pursuant to a Decision on the Organization and Operation of an Accounting-Finance Department ref. no. 04/BOL, dated 25 March 2005;
- Pursuant to a Decision of the Bank of the Lao PDR's governing the adoption of an Accounting Manual and a Financial Reporting format for Commercial banks and Financial institutions under the Bank of the Lao PDR ref. no. 672/BOL, dated 02 September 2008;
- Pursuant to the Proposal of BCEL ref. no. 542/BCEL, dated 26 September 2010 about an Accounting Record for Privatization of BCEL.

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In responding to the necessary and urgent requirement of commercial banks conducting accounting transactions relating to securities, particularly the issuance of stocks to the public and the acceptance of deposits from securities firm, the Accounting- Finance Department, Bank of the Lao PDR hereby issues this instruction regarding:

- 1) Adding an account number to a bank account of a commercial bank or financial institution by classifying these into related categories and types of account; and
- 2) Record transaction related to the stocks issuance to the public by choosing to follow each case that has actual operation with the following details:

I. Add an account number into a bank account

I.1. An account number in a balance sheet

21313 deposit from Securities Company

213131 deposit from Domestic Securities Company

2131311 current deposits

2131313 saving deposits

2131314 daily deposits

2131315 fixed deposits

213132 deposit from Foreign Securities Company

2131321 current deposits

2131323 saving deposits

2131324 daily deposits

2131325 fixed deposits

213713 interest payable to Securities Company

2137131 interest payable to Domestic Securities Company

2137132 interest payable to Foreign Securities Company

32012 share impairment, financing, mergers and acquisitions

410133 interest expense for deposits of Securities Company

4101331 interest expense for deposits of Domestic Securities Company

4101331 interest expense for deposits of Foreign Securities Company

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44031 Commission fee

440311 Brokerage fees

440312 Advisory fees

440318 others commission fees

I.2. An account number off balance sheet

9703 Share Issuing account

97031 Ordinary stocks

970311 Ordinary stocks distributed through an agent

970312 Ordinary stocks subscription

97032 Preferred stocks

970321 Preferred stocks distributed through an agent

970322 Preferred stocks subscription

98703 Dual accounts for share issuing

987031 Dual accounts for ordinary stocks issuing

987032 Dual accounts for preferred stocks issuing

II. **Accounting record for the issuance of stocks to the public**

II.1. Account number used

1.1 Balance sheet account

1101100 Cash on hand

3101000 Subscribed capital receivable

3102000 Un-subscribed capital receivable

3108100 Shareholders for Un-subscribed capital receivable

3108200 Shareholders for un-paid subscribed capital receivable

3201100 Share premiums

3201200 Share impairments

4403110 Underwriting fees

4403120 Advisory fees

1.2 Off balance sheet account

9703 Share Issuing account

97031 Ordinary stocks

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- 9703110 Ordinary stocks distributed through an agent
- 9703120 Ordinary stocks subscription
- 97032 Preferred stocks
 - 9703210 Preferred stocks distributed through an agent
 - 9703220 Preferred stocks subscription
- 98703 Dual accounts for share issuing
 - 987031 Dual accounts for ordinary stocks issuing
 - 987032 Dual accounts for preferred stocks issuing

II.2. Accounting record

II.2.1 Share distribution by its self (Bank)

1. Bank opens for share subscription: in a case of no guarantee deposit
 - 1) When investors subscribed for buying shares: bank monitors numbers and value of shares that investors subscribed for in off balance sheet by recording an account as follows:
 - Debit: 00-9703120 Subscribed ordinary stocks
 - Credit: 00-9870312 Dual account monitoring that the bank distributes
 - 2) When the subscription period is completed, the bank allocates shares to subscribers and records an account as follows:
 - Debit: 00-3108100 Shareholders for Un-subscribed capital receivable
 - Credit: 00-3102000 Un-subscribed capital receivable
 - The Bank announces for paid-up capital and records as follows:
 - Debit: 00-3108200 Shareholders for un-paid subscribed capital receivable
 - Credit: 00-3108100 Shareholders for Un-subscribed capital receivable
 - 3) When the investors paid up for subscribed shares
 - The Bank shall make a payment for un-paid subscribed capital receivable account and record an account as follows:
 - Debit: 00-3102000 Un-subscribed capital receivable
 - Credit: 00-3108200 Shareholders for un-paid subscribed capital receivable

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- If the shares can be sold with par value, records an account as follows:

Debit: 00-11011/xx Cash or other related account

Credit: 00-3101000 Subscribed capital receivable

- If the shares can be sold at higher price than par value, records an account as follows:

Debit: 00-11011/xx Cash or other related account

Credit: 00-3101000 Subscribed capital receivable

Credit: 00-3201100 Share premiums

- If the shares could be sold at lower price than par value, records an account as follows:

Debit: 00-11011/xx Cash or other related account

Debit: 3201200 Share impairments

Credit: Subscribed capital receivable

2. The Bank opens for share subscription: in instances where investors pay guarantee deposit.

- 1) When the investors subscribed for buying shares:

Investors subscribed for buying shares shall make a payment to the bank as a guarantee deposit for the share subscription and the bank records an account as follows:

Debit: 00-11011/xx Cash or other related account

Credit: 00-2201280 placing others guarantees deposit

- The Bank also monitors numbers and value of shares that investors subscribed in off balance sheet by recording an account as follows:

Debit: 00-9703120 Subscribed ordinary stocks

Credit: 00-9870312 Dual account monitors share distributed by the

bank

- 2) When the subscription period has expired, the bank allocates shares to subscribers and then notifies the investors and clears dual accounts for

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monitoring numbers of shares subscription in off balance sheet by the investors and recording an account as follows:

- Clearing off balance sheet account:

Debit: 00-9870312 Dual account monitoring share being sold by the bank

Credit: 00-9703120 Subscribed ordinary stocks

2.1). numbers of shares that the bank allocate to be equal to numbers being subscribed, records an account as follows:

Debit: 00-2201280 placing other guarantee deposit

Credit: 00-3101000 Subscribed capital receivable

2.2). numbers of shares that the bank allocates less than numbers of subscribed shares, the bank will refund guarantee deposit to the investors and records an account as follows:

Debit: 00-2201280 placing others guarantee deposit

Credit: 00-3101000 Subscribed capital receivable

Credit: 00-11011/xx cash or other related account

2.3). In case of placing guarantee deposit for share subscription, records an account as follows:

Debit: 00-2201280 placing others guarantee deposit

Debit: 00-11011/xx cash or other related account

Credit: 00-3101000 Subscribed capital receivable

II.2.2 Share sold through an agent

II.2.2.1 When the bank transfers shares to an agent

The Bank records numbers of shares in monitoring account and amount of money in an off balance sheet, recording an account as follows:

Debit: 00-9703110 Ordinary stocks sold through an agent

Credit: 00-9870311 Dual account monitors share distributed by the bank

II.2.2.2 When receiving money from selling shares

1) Clearing off balance sheet account with numbers of shares and amount of money received

Debit: 00-9870311 Dual account monitors share distributed by the bank

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Credit: 00-9703110 Ordinary stocks sold through an agent

2) Recording transaction account in the balance sheet

2.1) If the shares can be sold at par value, an account should be recorded as follows:

Debit: 00-11011/xx Cash or other related account

Credit: 00-3101000 Subscribed capital receivable

2.2) If the shares can be sold at higher price than par value, an account should be recorded as follows:

Debit: 00-11011/xx Cash and other related account

Credit: 00-3101000 Subscribed capital receivable

00-3201100 Share premiums

2.3) If the shares can be sold at a lower price than par value, an account should be recorded as follows:

Debit: 00-11011/xx Cash and other related account

Debit: 3201200 Share impairments

Credit: 00-3101000 Subscribed capital receivable

3) When paying a commission fee or advisory fees to an agent

Debit: 00-4403110 commission fees

Debit: 00-4403120 Advisory fees

Credit: 00-11011/xx Cash or other related account

This instruction shall be entered into force starting from the date of signing. In case of facing difficulties in the implementation, the Bank and financial institutions shall propose to the Accounting-finance department for consideration and providing further advice.

Acting Director-General

Accounting-Financing department

(signed and sealed)

Khankeo Larmanijoa

cc:

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1. Commercial banks and financial institutions
2. ITCB, BOL
3. Commercial bank supervision department, BOL
4. Banking operations department, BOL
5. Securities commission office