

(Unofficial Translation)



Lao People's Democratic Republic
Peace Independence Unity Democracy Prosperity

Government

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Decree
On
Pawn Businesses

- Pursuant to the Law on Government, No. 69/NA, dated 15 December 2015;
- Pursuant to the Law on the Bank of Lao PDR, No. 05/NA, dated 14 October 1999;
- Pursuant to the Law on Enterprises, No. 46/NA, dated 26 December 2013;
- Pursuant to the Law on Contracts and Tort, No. 01/NA, dated 08 December 2008;
- Pursuant to the Law on Guarantee for Contract Compliance, No. 06/NA, dated 20 May 2005;
- Pursuant to the Letter from the Bank of Lao PDR, No. 128/BOL, dated 26 April 2016.

The Government hereby issued a Decree:

Part I

General Provision

Article 1 Objectives

This Decree defines the principles, regulations on the establishment, operation, management and monitoring, inspection on pawn businesses for systematic operation and compliance of pawn businesses to laws and regulations, which aim to address financial difficulties of people and also to ensure debt repayment, contribute to the effective supervision of financial institutions.

Article 2 Pawn Businesses

A pawn business is a business unit that offers credit services in exchange for property which is established in accordance with laws, regulations and this Decree.

Article 3 Definitions

The terms used in this Decree have the following meanings:

1. **Pawning** refers to the act of leaving movable property of a pawnor with a pawnee as security for money borrowed;
2. **Pawn** refers to movable property of a pawnor that is left with a pawnee such as jewelry, clothes, furniture, vehicles, electronic devices and other assets that are movable properties;
3. **Pawnee** refers to a financial service provider or a party that offers loans by accepting goods that are movable properties as collateral;
4. **Pawnor** refers to a financial service user or a party that receives loans by offering goods that are movable properties as collateral;
5. **Pawn contract** refers to a written agreement between a pawnee and a pawnor which lead to civil rights and obligations;
6. **Pawn value** refers to the agreed value defined in a pawn contract between a pawnee and pawnor;
7. **Business operating license** refers to a document that approves operating pawn business which is issued by the Bank of Lao PDR;
8. **Pawn cash** refers to the amount of money that offered by a pawnee to pawnor at the price agreed in the pawn contract.

Article 4 Decree Scope of Application

This Decree applies to individuals, legal entities and organizations that are related to pawn and pawn business operation in the Lao PDR.

Part II

Establishment and Operation of Pawn Business

Chapter 1

Pawn Business Establishment

Article 5 Pawn Business Establishment

Individuals, legal entities and organizations that wish to establish pawn business shall submit application for an enterprise registration to the Ministry of Industry and Commerce in accordance with the Law on Enterprises and shall obtain approval for pawn business operation from the Bank of Lao PDR as defined in this Decree.

Article 6 Required Documents

Documents required for pawn business establishment include the following:

1. Certificate of Residence, copy of identity card or family book;
2. Resume of the founders, shareholders and directors using the template provided by the Bank of Lao PDR;
3. Penalty Notice;
4. Feasibility Study Report;
5. Internal Code of Conduct;
6. List of shareholders and agreement on business establishment;
7. Bank confirmation on secondary account transactions in the past 2 years issued by commercial banks for legal entities and organizations;
8. Proposed pawn shop's location map.

Article 7 Requirements for Pawn Business Establishment

Individuals who wish to establish pawn businesses shall meet the following requirements:

1. To be Lao national;
2. To have qualified education or employ specialist with tertiary education or above;
3. To have experiences or employ specialist that have at least 2 year experiences in finance, banking and accounting;
4. Must not have ever been sentenced by the court or experienced any judicial sanctions for criminal offenses regarding financial and banking matters such as robbery, fraud; and must not have pawn business license withdrawn;
5. To have detailed information about the source of investment in a pawn business;
6. To have good financial status, trustworthy and well recognized by people and village authority.

Article 8 Requirements for Pawn Shop

A pawn shop shall meet the following requirements:

1. To have appropriate location and building and meet standard such as service rooms, warehouses and a safe for keeping pledged assets from fires at least for two hours or more;
2. To have necessary equipment and tools to ensure pawn business operation.

Article 9 Registered Capital

Individuals, legal entities and organizations that wish to open pawn business shall have minimum registered capital of One Billion Kip.

Pawn business entities can use registered capital into the two following objectives:

1. To repair office and acquire technical materials with no more than ten percent of the registered capital;
2. To use the registered capital on operating pawn business.

Article 10 Internal Code of Conduct

Internal Code of Conduct of a pawn business, apart from to be compliant with the Law on Enterprises, shall also have additional contents as following:

1. Management and storage of pawn assets;
2. Pawn interest.

Internal code of conduct of a pawn business will be effective only if it is approved by the Bank of Lao PDR. Any changes made on the internal code of conduct of a pawn business shall be approved by the Bank of Lao PDR.

Article 11 Amendment on Business Operating License

In case pawn business entities wish to make some amendment on contents of their business operating licenses such as the scope of business, registered capital, location, etc, they shall submit a request to the Bank of Lao PDR for consideration on the amendment of business operating licenses.

Article 12 Suspension or Withdrawal of Business License

In case a pawnee violates laws, regulations and this Decree on Pawn Businesses, the Bank of Lao PDR has the rights to suspend or withdraw pawn business operating license.

After receiving written warning twice, a business operating license will be suspended.

After receiving the 3rd warning, the violation is still be continued, a business operating license will be withdrawn.

Chapter 2

Pawn Business Operation

Article 13 Pawn Contract

Currency used in pawn contracts shall be in Lao Kip and contracts shall be in written form according to the Law on Contracts and Tort between a pawnee and pawnor with witnesses.

Article 14 Determination of Pawn Interest Rate

The maximum pawn interest rate shall not exceed three percent per month.

Interest must be calculated on daily basis based on actual days of pawning. Repayment of principal and interest must be made based on the pawn contract.

Pawnee shall post the announcement on the interest rates in the area that is revealing and easy to be seen and strictly implement the interest rates exactly as described in the announcement.

Article 15 Pawn Valuation

Pledged properties shall be valued based on the agreement between a pawnee and a pawnor to set the pawn price.

Article 16 Pawn Amount Limitation

Pawn business can offer loans to a pawnor not exceed five percent of the total registered capital.

Article 17 Implementation of Pawn Contract

Pawnees and pawnors shall follow their pawn contracts faithfully, adequately and correctly as specified in the contract.

Pawnors shall repay their principles and interests to redeem their pledged assets within the agreed timeframe defined in the contract.

In case of pawnors fail to redeem their pledged assets within the agreed timeframe, pawnees have the rights to buyout or sell such assets. In case the price of pledged assets is higher than the loan amount, the pawnees must pay the surplus amount to the pawnors after deducting principal, interest and other necessary costs.

In case of pawnors fail to redeem their pledge assets within the agreed timeframe due to unexpected events such as illness or unpredicted events, the pawnors must notify the pawnees in writing before the contract ends. However, the pawnees shall redeem their pledged assets within fifteen days after such events. The pawnees shall stop charging interest during the fifteen days after the contract ends.

Article 18 Selling Pledged Assets

Pawnees shall inform pawnors seven days before selling pledged assets for pawnors to take part in the selling such assets. If pawnors do not participate, pawnees have the rights to sell the pledged assets.

Selling pledge assets shall be recorded with the following contents:

1. Number, date, month and year of the pawn contract;
2. Name and surname, age, occupation and address of a pawnor;
3. Date, month, year of pledged assets being sold and pawn value from the sales;
4. Name, surname and address of the buyers of pledged assets.

Selling pledged assets without pawnors participation shall be attended by a representative from the village authorities where the pawn shop is located or relevant officials, officers based on the value, nature and types of pawn.

Article 19 End of Pawn Contract

A pawn contract will be ended as in the following cases:

1. The contracting parties completed their rights and obligations as agreed in the pawn contract;
2. The contracting parties agreed to terminate the contract;
3. Pawn contract is expired and the contracting parties have no other pawning agreement.

Chapter 3

Acceptance and Management on Pledged Assets

Article 20 Acceptance of Pledged Assets with Faithfulness

In case pawnees accept pledged assets sincerely without knowing or having ability to know whether the assets are legally owned by pawnors.

In case owners find their assets at such pawn shop and want to claim them back, the owners must adequately pay loans with interest to the pawnees. The owners have the rights to sue the pawnors for the amount paid and report to relevant officers in order to take legal cases.

Article 21 Acceptance of Pledged Assets without Faithfulness

In case pawnees know or have ability to know that pledged assets are illegal obtained and still accept such pledged assets, the asset owners have the rights to claim such assets back without paying anything to the pawnees. Besides, the pawnees and pawnors shall be penalized by laws and regulations.

Article 22 Pledge Assets Management

Pawnees shall store and keep pledged assets in original condition and if pledged assets are damaged or lost during their responsibility, the pawnees shall restorer such assets to their original condition by informing the pawnors or compensate for the damage occurred.

Pawnees have no rights to use and make profit from pledged assets, except that such rights are agreed in the contract.

Chapter 4

Rights and Obligations of the Pawnees and Pawnors

Article 23 Rights of Pawnees

Pawnees have the following rights:

1. To inspect pledged assets before signing the pawn contract;
2. To demand loan payment with interest;

3. To buyout or sell pledged assets when the pawn contract expired;
4. To exercise other rights as defined in laws and regulations.

Article 24 Obligations of Pawnees

Pawnees have the following obligations:

1. To store and keep pledged assets in original condition;
2. To not accept pawning illegal assets;
3. To return pledged assets to pawnors when loans and interest are fully paid as described in the pawn contract.
4. To refund the amount surplus from assets buyout or sale;
5. To use enterprise accounting system according to the Law on Accounting;
6. To report on business operation to the Bank of Lao PDR on regular basis;
7. To pay customs, taxes, fees and service charges as defined by relevant laws and regulations;
8. To report to the relevant authorities on pawning illegal assets against the Law on Pawn Businesses;
9. To perform other obligations as defined by laws and regulations.

Article 25 Rights of Pawnors

Pawnors have the following rights:

1. To receive money according to the price agreed in the pawn contract;
2. To claim pledged assets when they fully pay for principal and interest;
3. To claim for compensation from pawnees if the pledged assets are damaged and lost or not in original condition, which caused by the pawnees' mistakes;
4. To claim surplus amount from buyout or sale of pledged assets;
5. To exercise other rights as defined by laws and regulations.

Article 26 Obligations of Pawnors

Pawnors have following obligations:

1. To handover pledged assets to be under the management and storage of pawnees;
2. To pay loans with interest adequately and timely according to the specified timeframe in the pawn contract;
3. To not pawn illegal assets;
4. To compensate the pawnees for the lost from asset buyout or sale in case asset value is not enough to offset the loans;
5. To perform other obligations as defined by laws and regulations.

Chapter 5

Dissolution of Pawn Businesses

Article 27 Reasons for Dissolution

Pawn businesses are to be dissolved for the following reasons:

1. The owners of pawn business voluntary agree on dissolution or business dissolution resolution from shareholders meeting;
2. The owners of pawn business pass away or are disable to perform without any successors;
3. The Bank of Lao PDR withdraws business operating license;
4. The court sentences to dissolve or announce bankruptcy.

Article 28 Dissolution

The dissolution of pawn business due to reasons specified in Article 27 of this Decree shall be proceed based on steps defined in the Law on Enterprise, the Law on Enterprise Bankruptcy, and other relevant laws and regulations.

Part III

Prohibitions

Article 29 General Prohibitions

Individuals, legal entities or organizations are prohibited to behave as following:

1. To operate pawn business without approval from relevant authorities or use license of others;
2. Distort information on the license or bribe relevant officials to issue a pawn business operating license;
3. To resist, not facilitate, not cooperate with relevant officers and government staff performing their duties;
4. To have other behaviors that violate laws and regulations.

Article 30 Prohibitions for Pawn Business Entities

Pawn business entities are prohibited to behave as following:

1. To operate additional businesses without approval;
2. To accept pawning of state properties, collective assets and unauthorized private property;
3. To accept pawning of arms, explosive substances, poisonous chemicals, prohibited materials and all illegal assets according to laws issued by relevant line ministries;
4. To include an amount of outstanding interest into calculation of pawn price;

5. To use and make profit out of pledged asset;
6. To exchange pledged assets for other things with exactly the same feature, shape, size and type;
7. Pawnees have no rights to collect other service charges, including storage fees, apart from the interest from pawnors;
8. To have other behaviors that violate laws and regulations.

Article 31 Prohibitions for relevant officials and government staff

Relevant officers and government staff are prohibited to behave as following:

1. To operate business, work as a consultant, a technical staff for pawn business entities under their responsibilities;
2. To disclosure information on pawn businesses;
3. To claim, request, accept bribe, be bias, delay the process of approval, conspire, cooperate in falsify documents, and misuse their authorities for the benefits of themselves, their family, relatives or friends;
4. To ignore their responsibilities or misbehavior of pawn business entities;
9. To have other behaviors that violate laws and regulations

Part IV

Supervision and Inspection of Pawn Business

Article 32 Supervision and Inspection Authority

The Bank of Lao PDR is directly assigned to be responsible for the supervision and inspection of pawn businesses in centralized and unified manners across the country in collaboration with the relevant ministries, sectors and provincial authorities.

Article 33 Rights and Duties of the Bank of Lao PDR

Regarding the supervision of pawn businesses, the Bank of Lao PDR has the following rights and duties:

1. To research and develop legislation on pawn to propose for consideration from the government; and also review and issue regulations within the scope of its responsibility;
2. To disseminate, provide direction and stimulate the implementation of laws and regulations on pawn across the country;
3. To supervise, monitor and inspect the activities and operation of pawn businesses;
4. To consider on approving, suspending or withdrawing pawn business operating licenses;
5. To ask questions and check documents related to business operation, location and method of pawn storage;
6. To implement measures on pawn businesses that violate laws and regulations related to pawn;

7. To develop technical staff and strengthen their technical capacity on pawn;
8. To summarize and report its performance to the government on regular basis;
9. To exercise other rights and perform other duties as defined by laws and regulations.

Article 34 Rights and Duties of relevant line Ministries and Stakeholders

Relevant line Ministries and Stakeholders have the rights and duties to collaborate and coordinate with the Bank of Lao PDR on the supervision and inspection of pawn businesses and pawn business operation within their scope of responsibilities; and exercise their rights and perform their duties as defined by laws and regulations.

Article 35 Inspection Approaches

There are three approaches for inspection on pawn businesses as following:

1. A routine based inspection, which refers to an inspection that carried out according to regular plan and certain schedule;
2. An informed inspections, which refers to an inspection that is not included in the regular plan but based on necessity;
3. An emergency inspection, which refers to urgent inspection on pawn businesses without advanced notice.

Inspection of pawn businesses shall be strictly implemented in accordance with the relevant laws and regulations.

Article 36 Inspection Contents

Pawn business inspection includes the following contents:

1. Compliance with laws and regulations;
2. Pawn business operation such as the management, accounting and finance, standards on pawn business, pledged asset storage and pawn contracts.

Article 37 Reporting

Pawn business entities shall report their business operation to the Bank of Lao PDR on monthly, quarterly, biannually and annual basis using report templates provided by the Bank of Lao PDR in each period.

Part V

Awards for Good Performance and Violator Measure

Article 38 Awards for Good Performance

Individuals, legal entities or organizations with outstanding performance in implementing this Decree especially to supervise pawn businesses with quality, operate pawn businesses in accordance with laws and regulations will receive compliments or other appropriate policy according to regulations.

Article 39 Measures against violators

Individuals, legal entities or organizations that violate this Decree, especially the prohibitions defined in Article 29, 30 and 31 will be educated, discipline punished, fined, paid for damages on civil or received criminal penalties as defined in laws based on light or serious cases.

Part VI

Final Provision

Article 40 Implementation

The Bank of Lao PDR is assigned to effectively implementation of this Decree.

Relevant individuals, legal entities or organizations shall acknowledge and strictly follow this Decree.

Article 41 Effectiveness

This Decree is effective from the date of signature and fifteen days after fifteen days after publish in the Government Official Gazette.

This Decree replaces the Decree on Pawn Shops, No. 10/PM, dated 02 February 2002.

Any regulations and provisions that contradict to this Decree shall be cancelled.

The Government of Lao PDR

Prime Minister

(Signature and Seal)

Thongloun SISOULITH