

(Unofficial Translation)

**The National Committee for  
Anti-Money Laundering and Counter-Financing of Terrorism**



**Abstract on National Money Laundering  
and Terrorist Financing Risk Assessment  
of the Lao PDR**

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## **I. Overview**

The crime situation, which was a major offense of money laundering and terrorist financing, has occurred throughout the region and throughout the world in each period. The crime is a threat causing serious damages to properties and human life. The relevant international organizations have set the benchmark measures so that countries create mechanisms and principles and implement them in accordance with the criteria for the fight against such crimes. The Lao PDR is a party to international treaties related to fighting and suppressing transnational crimes, the Government has focused on creating and improving laws and mechanisms to ensure the implementation of international treaties, and to combat and suppress all forms of crime under international treaties.

For the work against money laundering and terrorist financing (Anti-Money Laundering and Counter-Financing of Terrorist “AML/CFT”), the government of Lao PDR has established National Committee for Anti-Money Laundering (AML) and the Counter-Financing of Terrorism (CFT) or (National Committee for AML/CFT) and Anti-Money Laundering Intelligence Office (AMLIO) as focal point to coordinate with relevant sectors in implementing the work, to ensure that the work on AML/CFT has been developed in certain level and to meet international standard at one level and to continue to follow the guidelines 1 “Risk Assessment and Risk Management Process” of the 40 recommendations of the Financial Action Task Force "FATF" to meet international standards and by receiving technical assistance from the World Bank.. Lao PDR has implemented National Money Laundering and Terrorist Financing Risk Assessment “NRA” for the first time between 2017-2018.

A Task Force to assess National Money Laundering and Terrorist Financing Risk Assessment “NRA” of Lao PDR has been set up, included government officials with the World Bank providing technical assistance, which organized many training opportunities and advice to help ensure the most effective implementation. The provision of statistics and information used for NRA risk assessments, including assessments, ratings, and considerations under the NRA Risk Assessment Framework, is carried out by a state assessor or official of Lao PDR and a committee responsible for implementation.

### **1. Objectives**

The National Money Laundering and Terrorist Financing Risk Assessment “NRA” is to identify and understand the risk of money laundering and funding for terrorism, which is an important element in the implementation and development of anti-money laundering systems and funding for terrorism, including laws, regulations, law enforcement and other measures to reduce risk of money laundering and funding for terrorism that will help to effectively allocate information sources to the relevant authorities. The results of the NRA assessment can also be used as data to evaluate risk of reporting units (financial institutions and non-financial institutions).

### **2. Risk Assessment Implementation**

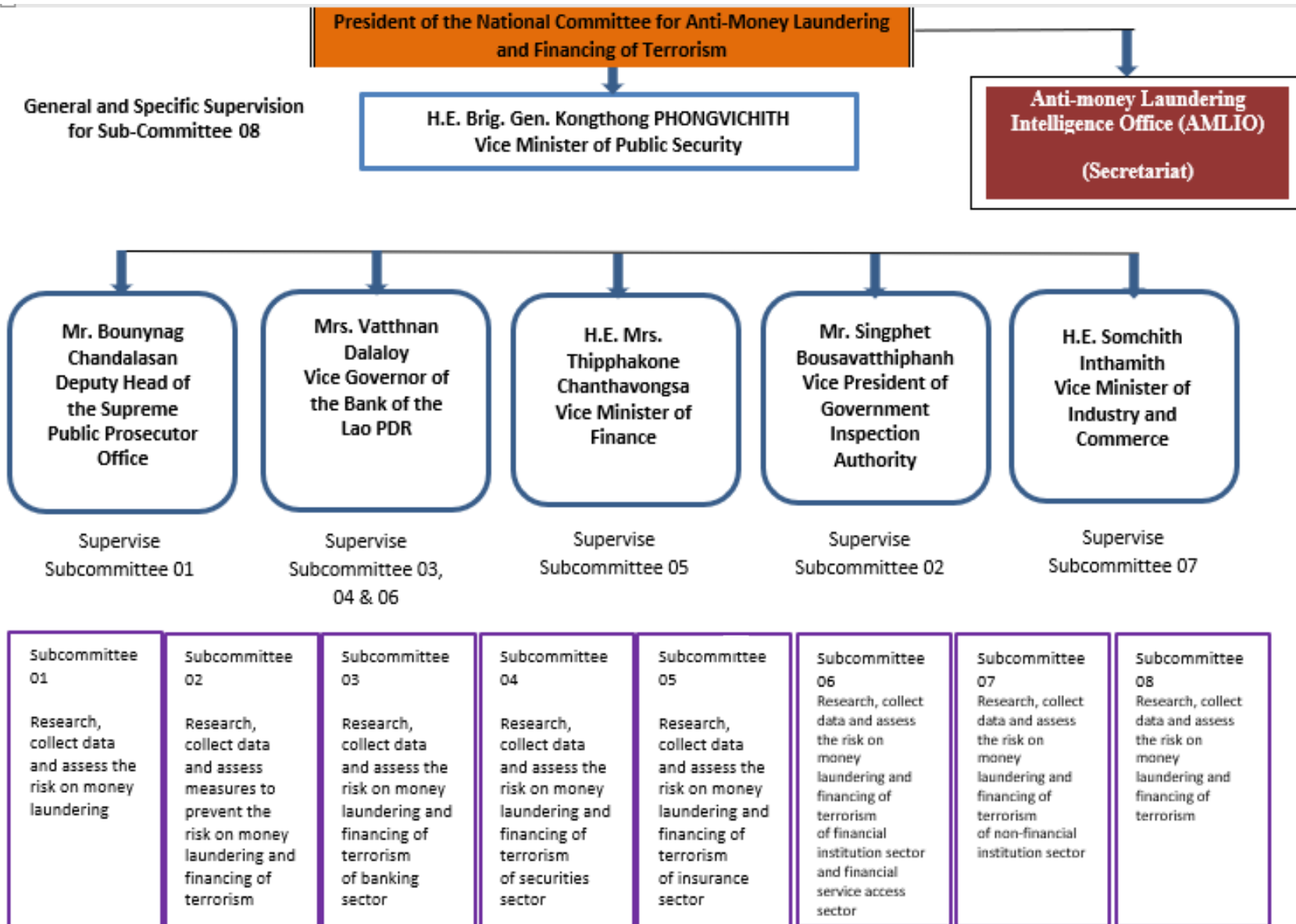
The National Money Laundering and Terrorist Financing Risk Assessment “NRA” was the first implementation, which the process of preparing as data collection and research in detail, was divided into the following stages:

## 2.1 Preparation Phase

- Research and find partners in technical assistance: Lao PDR has sought international partners on National Money Laundering and Terrorist Financing Risk Assessment “NRA”, particularly the World Bank, which has experience in assisting such work with many countries. Of which, there are countries around that have a similar environment to the Lao PDR, with the majority of the World Bank supported. Therefore, Lao PDR has requested technical cooperation and assistance from the World Bank, which has been well received, regularly consulted, prepared, monitored and trained in the course of the assessment so that technical work has been resolved and could be carried out efficiently and according to the timetable laid down;
- Found out about the surrounding countries that were preparing and conducting the National Money Laundering and Terrorist Financing Risk Assessment, such as: Vietnam, Cambodia and Thailand. This makes Lao PDR understand the preparation and evaluation of each country to plan their work by limiting the weaknesses that may occur and effectively implementing the Money Laundering and Terrorist Financing Risk Assessment.
- To report and propose the higher authority (government) to approve in principle the implementation work on Money Laundering and Terrorist Financing Risk Assessment.
- To organize a high level ad-hoc committee, to divide responsibilities to deepen and supervise each work, assign technical staff related to all sectors to participate in practice both at central and local levels.



**Structure of Ad hoc Committee for the National Anti-money Laundering and Terrorist Financing Risk Assessment  
Of the Lao PDR**



## **2.2 Assessment Phase**

To make understand to all assessors from relevant sectors by organizing seminars from World Bank Experts on 22-24 January 2017 and continued conducting internal seminars on each of the sub-committees in understanding the assessment procedures, assessment content and assessment tools to identify and formulate a work plan for assessment with a timetable for implementation and completion. In particular, it focused on some of the issues that need to be understood:

- Identified Input Variables ( Input Variables) Which were separated into AML Control Variables and Inherent Vulnerability Variables; There are also Intermediate Variables;
- Targeted both the government agencies and the private sector across the country to see that there is the risk of money laundering and terrorist financing to undertake an assessment;
- Made up questionnaires to gather the required information to include in the NRA ;
- Sent the questionnaires to both government agencies and the private sector to collect data and work on these goals at both central and local levels;
- Compiled the data into the Excel Template assessment tool based on the actual data collection at the central and local levels to make a NRA assessment report.

In addition, summarized open sources of information on media, articles, relevant reports and others that are included in the assessment.

## **2.3 Analysis phase and draft report**

- Sub-committees subsequently summarized all information, through the forms received, data from the open source, and so forth to research and understand the information received, and analyzed data logically to determine the correctness and certainty of the information;
- Tested data into NRA tools to see results, compared to reality;
- Conduct a special seminar with experts on the preliminary assessment findings to discuss how to analyze and compare standard variables and the variables from the actual assessment;
- Summarized all data into NRA tools to provide the results as a basis for writing a report on the results of the assessment.

### **Good Points and Restrictions in the Assessment**

#### **Good Points**

- The government attached the importance and paid attention to the National Money Laundering and Terrorist Financing Risk Assessment by appointing a steering committee to deepen and supervise each of the sub-committees according to the work responsibilities closely and regularly;
- The central and local Bank of Lao PDR has facilitated the budget, as well as other facilities such as: travel and necessary equipment for the Sub-Committee on time to conduct the assessment;
- Relevant sections of ministries and agencies at central and local levels to cooperate with Sub-committee to make data collection well;
- Sub-committees paid attention, sacrificed their valuable time to participate in research and contributed to the NRA risk assessment process.

## **Restrictions**

- AML / CFT work perceptions of all stakeholders are not broad and deep;
- An understanding of the AML / CFT work of sub-committees, managers, reporting units, and targets identified in the risk assessment were still limited;
- The coordination of relevant parties was not initiative to implement their own responsibilities;
- Participation of members in some sub-committees was not fully done or regular absent;
- The attention to the data responding by relevant stakeholders was not high, and was not on time;
- The data collected has not yet met the international standards, such as: the timeline and some indications are unavailable or the stakeholders feel that the vulnerability can not be met.

## **II. Threat assessment and the risk of money laundering that may arise**

### **2.1 An overview of the threat risk of money laundering that may arise in Lao PDR**

The threat assessment on money laundering is the risk analysis of the original offending behavior at the risk of money laundering, which has a direct impact on the economic stability and investment of the Lao PDR. The threat assessment on money laundering that may arise in the Lao PDR was implemented in conjunction with other risk assessments so as to be able to ascertain the level or extent of the danger of crime (statistics on offenses and the amount of money or property received by the offense), and the major factors contributing to the crime of domestic and international offenses resulting in money laundering.

Based on the actual situation, the conditions and actual data on the threat indicators from original offenses, money laundering and factors considered as a threat of sector have set a data period for 2013-2016 backward. Determining 19 items from 29 original offenses according to the Law on Anti-Money Laundering and Counter-Financing of Terrorism. Based on the assessment has found that only 14 predicate offences have been involved in the further investigating, prosecution and arbitration.

In addition to centralized data collection, there were also local data collection from 17 provinces across the country. It also collected data on 11 provinces, with a focus on provinces where crime was committed as an original offense, with criminal proceedings statistics and for the 06 provinces was collected in the form of questionnaires. Under this type of threat assessment, based on the methods and NRA tools, pointed out that the risk of the country's money laundering is at the level **medium-high**

### **2.2 Original offenses as Priority (including 07 original offenses)**

There is no money laundering case in Lao PDR during the assessment. However, when distinguishing among criminal offense activity (original offense and create an understanding of the risk level of threat of money laundering could define priority of the initial offense that pose the risk of money laundering as follows:

- 1) **Drug production and trading:** The offense activity was in the form of a network and landed in the Lao PDR as a way of smuggling, producing and trading. In 2013-2016, there were 1,775 cases (accounting for 83% of the original offense) and the value of property confiscated in US \$ 1,942,267, accounting for 84.7% of the assets resulting from the initial offense. An important factor which is the basis of such risk is as follows:



- The basic condition of the mountainous region (geography) of the Lao PDR is a large area of mountainous and forested areas, and there is a twisting route that makes the relevant authorities inaccessible and timely catching, which makes it difficult for the actual work of the responsible authorities;
- The economic majority of Lao PDR's use of cash without the banking system is one of the main factors that facilitates the certain groups of people to gain access to the drug trade through the black market and increasing the amount of money that financial work can not be monitored.

**2) Cheque forging, using counterfeit banknote or ilegal counterfeit banknotes:** Such offenses will have a direct impact on trade - real investment in the Lao PDR, in 2013-2016, there were 56 cases (accounting for 0.55% of the original offense) and the value of assets raked in US \$ 111,889, accounting for 4.88% of the assets confiscated by the original offenses. The key factors that are the basis of this risk are as follows:

- Failure to comply with the principle of using the cheque as laid down or set forth by the Business Banks;
- The understanding of the relevant stakeholders in the use of cheques is still limited. For cases that have arisen in the past, the people's prosecutor bodies divided types of cases to be executed or failing to comply with the conditions and elements of the offense;
- The intention or purpose of the offender, the issuer of the cheque or the account holder who wants to lie to a person whom he wants to write the cheque to at the time of purchasing-selling property together;
- Monitoring and inspection mechanisms are still limited to the situation and movement of the bad group of people, which is a gap and opens up opportunities for such groups Especially the offenders who come from abroad.

**3) Environmental crime:** uch offenses were in the form of a transnational network by using the Lao PDR land to transmit to neighboring countries. In 2013-2016, there were 91 cases (accounting for 0.8% of the original offense) and the value of assets confiscated in US \$ 101,526, accounting for 4.43% of the assets that resulted from the original offenses. The key factors that are the basis of this risk were because:

- Most violations of the rules are aimed at human consumption in specific areas, not purchasing-selling characteristics;
- Intention to steal a property as national resource for commercial and sales benefits by those who are in demand with high purchasing from abroad;
- By using Lao people or the Lao people's name who were transported or transited in Lao PDR to neighboring countries;
- Foreign currency holdings, especially trading (US Dollars and Thai Baht) imported from neighboring countries which have not passed the banking system;
- Most offenders who are Lao (actual offenders) are often used as tool or used by foreigners to travel, trade and transport to neighboring countries with a high amount of remuneration.

**4) Theft of citizenship property:** Such offenses in 2013-2016 included 651 cases (accounting for 7.5% of the original offense) and the value of assets confiscated in US \$ 63,702, which accounted for 2.78% of the assets that resulted from the original offenses. The key factors that are the basis of these risks were because:

- Most offenses were not high property value, but have a frequency of offense due to the economic situation as a key element, not a transnational or international nature;
- The offender used a gap of the rules for stealing and selling to a third party. Most of the offenses were administratively resolved.

- 5) Making fake money or using counterfeiting money:** Such offenses in 2013-2016 included 75 cases (accounting for 0.69% of the original offense) and the value of assets confiscated in US \$ 42,000, accounting for 1.83% of the assets resulting from the original offense. The key factors that are the basis of these risks were because:
- Most of the local economies were still using cash in trading together;
  - Part of the offense was the international nature that the offender came and made movement in the Lao PDR. Since the Lao PDR used foreign currency (cash) which did not go through the banking system at high cost;
  - Monitoring and inspection mechanisms were still limited to the situation and movement of bad group of people, which was a gap and opens up opportunities for such groups, especially the offenders who come from abroad.
- 6) Forging documents or Using a forged document:** Such offenses in 2013-2016 included 69 cases (accounting for 0.63% of the original offense) and the value of assets raked in US \$ 113.82, accounting for 0.49% of the assets resulting from the original offense. The key factors that are the basis of these risks were because:
- The behavior of most offenders used a gap on the principles of production management or the creation of a seal of private shop that has not yet been fully regulated;
  - Most offenders were intended to increase the number of import and export figures, project value figures, government invitation and others for the benefit of the offender, which was largely valued.
- 7) Fraud of citizen property:** Such offenses in 2013-2016 included 196 cases (accounting for 1.8% of the original offenses) and the value of assets confiscated in US \$ 3,265, accounting for 0.14% of the assets caused by the original offenses. The key factors that are the basis of these risks were because:
- The behavior of citizen property fraud in the actual practice of investigation (Criminal prosecution) regarding the fraud was very high. But investigations and prosecutions were considered in a few cases, since such offenses were both criminal and civil (administrative). Part of it was settled as civil case with a joint contract. Also, the amount of assets or the damage to a certain level which was a legal loophole that leads to misconduct.

### **3 Threat analysis from abroad**

Laos has borders with 5 countries while growing the economy with some gaps that group of foreign criminals use the land as transit road to enter the neighbour countries. From the data analysis received on foreign offenses in the Lao PDR, 0.7% of offenses were related to the original offense. Most of the offenses covered offenders from China, Thailand and Vietnam. The key factors that are the basis of these risks were because:

- Inspection of persons entering the Lao PDR to operate a business was not as strict as it should be;
- Setting Regulations and enforcement of legislation on foreigner management was not as tightened as it should;
- Monitoring and managing the implementation of funds in - out was not tightened as possible;
- The operation of Business, trade and investment in Lao PDR can be used in cash, Kip, US Dollars and Thai Baht;
- Tools and equipment for inspection and managing the movement of objects, goods and cash on the cross border were not suitable for the actual situation along the border.

### **III. Assessment of measures to prevent risk of money laundering that may occur**

#### **1. Overview**

Lao PDR uses the Written Law (Civil Law). The use of laws and legislation consists of two (02) types: Legislation of General Application and Legislation of Specific Application. (1) Legislation of General Application (Constitution, Laws, the Resolution of the National Assembly, the resolutions of the Standing Committee of the National Assembly, the Presidential Ordinance, the Decree of the Government) and (2) Legislation of Specific Application (the Presidential Decree for Law to be promulgated, the Presidential Decree, the Decree or the agreement on admiration or appointment of a person to a position or concerning a particular task, and notice) is a legislation laid down to serve specific administrative management tasks to an organization or individual. Currently, the Lao PDR has issued 126 laws and legislation under the laws, with 647 issues, of which laws related to the AML / CFT have 23 and additional 01 issue is criminal code.

The implementation of AML/ CFT operations in Lao PDR is based on the Law on Anti-Money Laundering and Counter-Financing of Terrorism and other relevant laws. Although there are many legal frameworks and legislation under the laws, it is not sufficient, not complete to the international standards. Therefore, the assessment of measures to prevent money laundering risk (ML) that may occur in Lao PDR as well as the assessment of the loophole or vulnerability to combat ML of the country in various areas, for example: legal areas, including assessment of mechanisms, analytical capabilities, investigations, reporting transactions and expertise in each case prosecution by relevant sectors in the country.

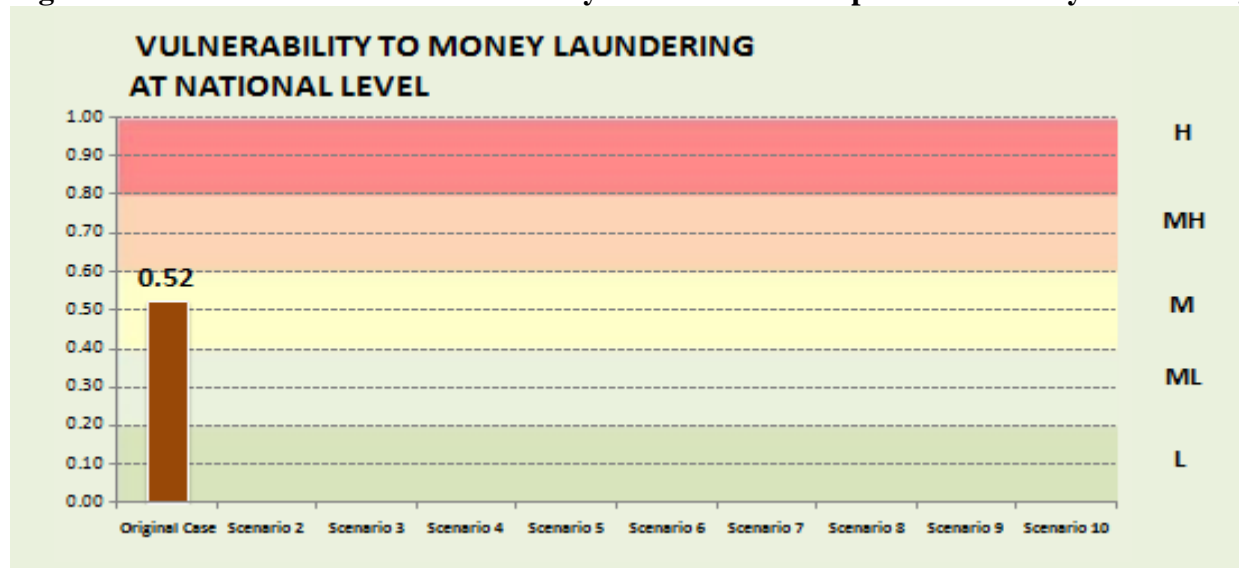
#### **2. Results of measure assessment to prevent the risk of money laundering that may occur:**

A vulnerability assessment indicates that Lao PDR is vulnerable to money laundering at the **medium** level because:

**Legislation:** Legislative structures on anti-money laundering and terrorist financing of the Lao PDR are in line with international standards and are sufficient at a certain level, be able to address legal issues and to make relevant parties with basis for effective and efficient implementation. Currently, Lao PDR has a total of 24 legislation related to AML/ FT work (01 Laws, 01 Penal Code , 01 Decree, 03 Orders, 01 Regulation, 13 Decisions and 04 Instructions) and is researching some of the legislation that are under laws in order to comply with international standards and can be implemented.

**Implementation:** Although a comprehensive legislation has been implemented, but the use of the relevant authorities has not been properly implemented, awareness of anti-money laundering work is still a new issue, and most officials are not aware of the problems associated with money laundering and its relation to the crime occurred in society. Legislation has yet to be disseminated deeply and widely to the parties concerned, especially the investigating authorities and other concerned parties, making the actual implementation of the anti-money laundering process unable to be implemented.

**Figure 3.1: Results of the vulnerability assessment for potential money laundering**



Sources: Actual Assessment, Year 2018

Results of the National Money Laundering Risk Assessment have identified some vulnerable issues and needs to be addressed as a priority:

**Table 3.1: Priority Plan and Measures to Prevent Potential Money Laundering Risks**

Risk	Priority
Policies and Strategies on Anti-Money Laundering and Financing for Terrorism	3
Legislation	1
The effectiveness of the proceeding	2
Effectiveness of monitoring and inspection management	5
Effectiveness of Know Your Customer , Suspicious Transaction Report (STR) and Analysis	4
The effectiveness of domestic and international cooperation	6

Sources: Actual Assessment, Year 2018.

#### IV. Sector at risk of money laundering

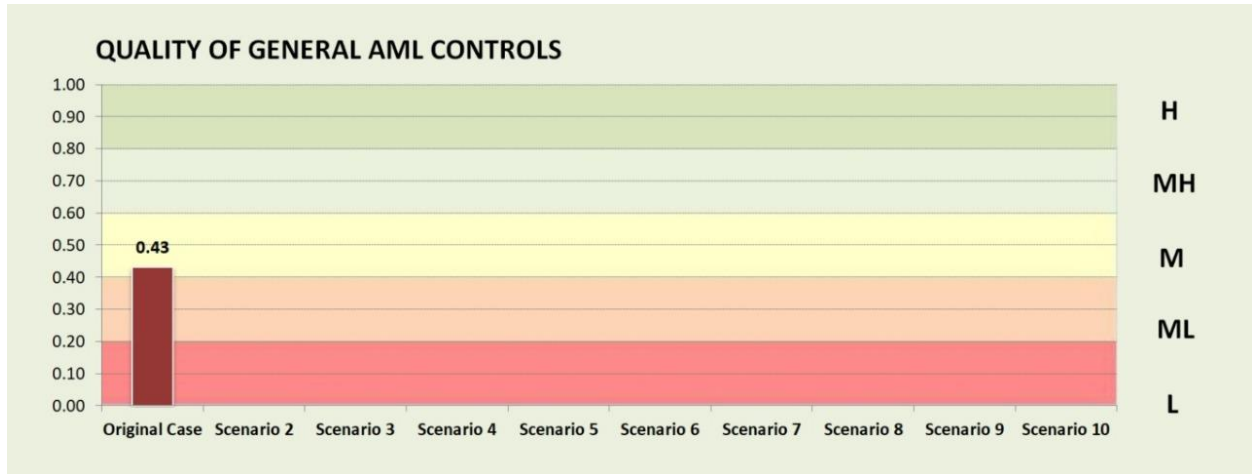
Lao PDR conducts risk assessment in 18 sectors, of which 8 sectors have been identified as being risky to money laundering as follows:

##### 1 Bank

In the Lao PDR, the banking system is one of the most dynamic financial transactions in terms of value and variety of activities. That is to make the banking sector more vulnerable to being used as a tool for money laundering. To assess and analyze the potential risks in the Banking System of the Lao PDR through two aspects:

**Mechanisms and Principles:** The commercial banks in Lao PDR have some rules and mechanisms to support the monitoring of anti-money laundering work, however, the effectiveness of implementation, especially the understanding of the staff involved and the management's guidance on such work has not been completed.

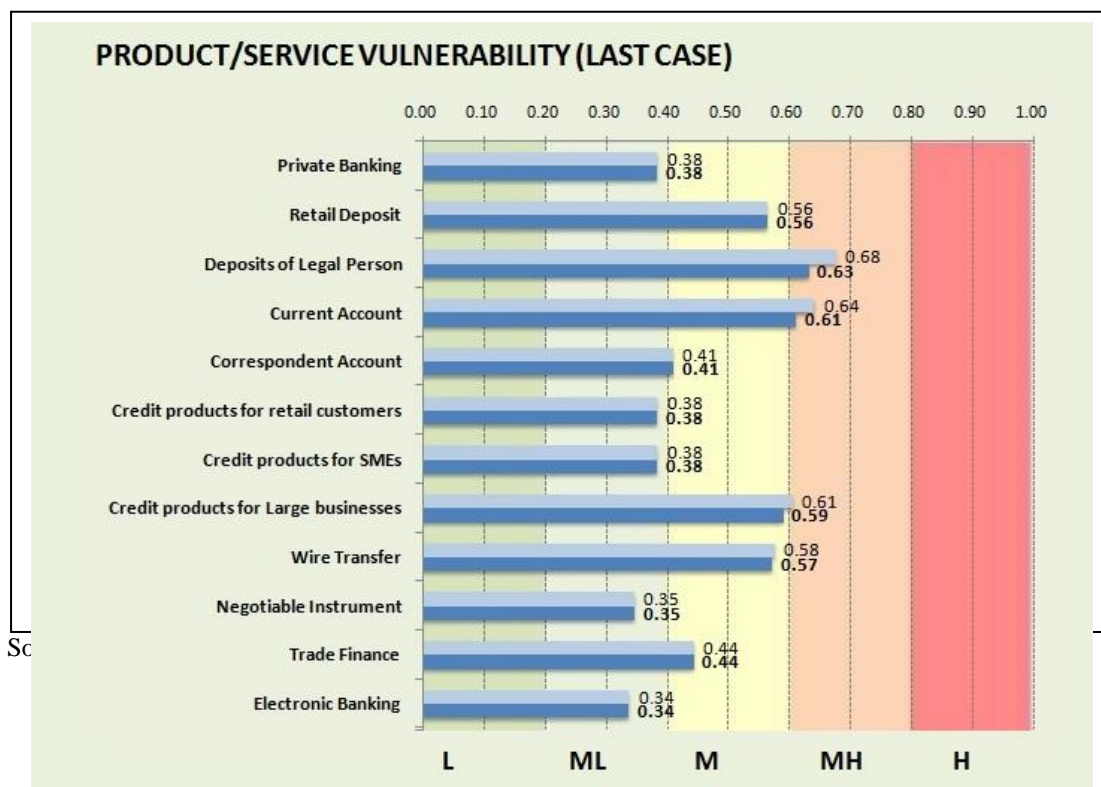
**Figure 4.1: Results of the quality assessment of AML control for the banking sector**



Sources: Actual Assessment, Year 2018

In terms of Products: The banking sector of the Lao PDR offers a diverse range of products to facilitate and meet the financial needs of the people, resulting in a growing and increasingly sophisticated financial transaction through the banking system. But, at the same time, Banks have a good risk protection against money laundering, increased Know Your Customer and Customers Due Diligence (KYC & CDD) leaving most products at **low-medium** risk. However, most banks also have a limited collection capacity for risky transactions, such as cash transactions and foreign transactions, which are not systematic and detailed enough to have two products: legal entity banking account and product of savings account which were at risky level.

**Figure 4.2: Results of Product risk assessment for the banking sector**



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## 2 Casino

Casino is a sector that is in the non-financial institutions established under the laws of the Lao PDR, through actual collection, casinos were at **high** risk to be used as a source of money laundering, which in this assessment had identified a significant gap in employee perceptions, the implementation according to the laws and regulations were not effective. Based on the specific characteristics of the casino business that is risky and the gaps in money laundering are as follows:

- Casino is a cash-operative business, open 24 hours and has many cash transactions, the activity is a form of gambling, with foreign exchange in casinos mostly being exchanged via the banking unit or imported foreign currencies directly.
- The movement of money related to gaming and capital movements of casino did not have a clear number or figure.
- The casino personnel lacked insight into monitoring and checking transactions that might have occurred due to the lack of regular training for staff.
- The location of the casino is in the border area that can be easily crossed, the movements of customers entering the casino service had not yet collected any customer information, such as customer history, the amount of money to be paid, the sources of money and the customer's winning and lost statistics. These problems would create gaps that criminals would use for money laundering.

Furthermore, the staff and business operators lack knowledge about AML / CFT work, without clear management. Criminal penalties for casino-related money laundering have yet to happen, and the casino sector's suspected money laundering transactions have not yet been reported to the Anti-Money Laundering Intelligence Office.

## 3 Business for Trading Precious and Old Objects

The business of buying precious objects and old goods was a person authorized by the state to operate independently and to provide services for the purchase of precious objects and old goods, such as silver, gold, diamonds, jewels and old antique goods to the people living in the Lao PDR.

Now businesses to buy-sell precious objects and old goods in the Lao PDR had all 683 places with the registered capital of 153 billion, which compared the country's GDP was 0.16% in 2014, 0.13 in 2015 and 0.11 in 2016, mainly for family business operations (small-sized) the business is operated directly through the owners so no business is made through the agents and included domestic investors accounted for about 90% and the remaining investors 10% were foreign owned. Most customers used the service businesses to buy-sell sell precious objects and old antique goods was a person in the country, with 90% of the cash being used and the rest paid through the banking system.

Through the national money laundering risk assessment of the business for trading valuable and old objects, the results were at the **medium-high** level. As the sector has no management, only enterprise license can operate the business, no specific regulations for the implementation of AML/CFT work, Legislation and regulations on the management of business to buy-sell precious objects and old goods are not available, Most businesses are family business and small-sized business.

## 4 Securities

The stock market was established on 10 October 2010, with a joint venture between the Korean stock market with 49% and the Bank of Lao PDR holding 51%. The Management Board

of the Securities was the Management and Inspection Agency, there is a Board of Directors composed of several stakeholders with 13 members under the chairmanship of the Deputy Prime Minister. The Lao Securities Exchange (LSE) acts as a service to state and private enterprises that need to mobilize funds to expand their operations to register in the Lao Securities Exchange, sell securities, settle and hold securities transactions and deposits. Currently, 04 securities companies were licensed to carry out securities activities from the Securities Management Committee, of which, 03 securities companies fully operated and 01 company operated as financial advisors and 07 companies were registered.

The results of assessment showed that the active market conditions of Lao Securities Exchange still were not diverse, only 01 products that are traded as well as ordinary shares, currently there are very few securities companies based on the rules and legislation of the regulators to make general coverage. However, with regard to anti-money laundering work, there were no specific rules, the staff and management were not yet aware of the anti-money laundering work. However, Due to the fact that the actual business activity was not so much, the results of money laundering risk assessment that may occur in the securities sector were at **low-medium** level. Therefore, in order to address the future of securities regulators, attention must be given to the dissemination and training of securities sector stakeholders. In addition, more stringent enforcement of laws and regulations to those involved in the market in relation to anti-money laundering work, especially securities companies, will be followed.

## **5 Insurance**

Insurance products that have been popular from society in the past were mostly as general insurance, such as car insurance, property insurance and other insurance related to foreign investment. For life insurance and health insurance was not as popular in Lao society, especially people with low incomes and no understanding of the importance of insurance. However, the regulations necessary to manage and operate the insurance business are inadequate and not tightened. In addition, the Department of Insurance Management has insufficient personnel and expertise to manage the work.

The knowledge and understanding of anti-money laundering of insurance company employees is not deep. Many insurance companies still had no internal Anti-money laundering regulations, only Staff and Board who were knowledgeable about such work. Training on anti-money laundering activities for employees within the company had not been included in the company performance plan. However, within the insurance company had a monitoring procedure, finding the most effective customers, especially the company subsidiaries of foreign countries. Through data collection and interviewing, insurance companies were able to assess their risk in the **low-medium** level.

## **6 General Currency Exchange Shops**

In 2016, Lao PDR has a total of 249 general currency exchange shops across the country, there were purchased-sold value with 168.73 billion kip. Among them, most of the exchange services were in urban areas with high exchange to facilitate the masses and tourists. The assessment was able to collect data 1/3 (81/249) of the total numbers of the shops. However, the evaluated exchange shops can be representative of the currency exchange shops at a certain level, depending on the location of the shops in the city and the value of the exchange. It is estimated that there was still no knowledge and understanding of anti-money laundering activities consistent with the implementation of the rights and obligations of reporting entities to create internal regulations, training given to staff and appointed staff in charge of collecting and reporting anti-money laundering work was still not well implemented and Know Your Customer

framework in the currency exchange shops was not yet taken into account and there was no checking system of Sanction List Screening to examine the customers list determined as prohibited person, prohibited entity to the international level (UN, EU, OFAC). Results of risk assessment in the sector of general currency exchange shops were at **medium** level.

## **7 Express Money Transfer Agent**

In 2016, there were 5 places transactions with the Express Money Transfer Agent compared to 2010, it was found that it was reduced 01 place, value of transfer-out money was 23,30 billion Kip, number of transfer-out transactions 3,533 times, value of transfer-in money was 26,65 billion Kip, number of transfer-in transactions 12,909 times.

Through the assessment it was found that the Express Money Transfer Agent still did not recognize and understand the work on Anti-Money Laundering deeply that is indicated in the implementation of the rights and obligations of reporting units to create internal regulations, training given to staff and appointed staff in charge of collecting and reporting the work on Anti-Money Laundering was not well implemented, but the framework of Know Your Customer (KYC) for the services of the Express Money Transfer Agent was able to implement related to data collection that can verify the identity of the customer to transfer-in and transfer-out the money internally and internationally. At the same time, the Express Money Transfer Agent Company must have a checking system of Sanction List Screening to check a list of customers as prohibited person, prohibited entities to the international level (UN, EU, OFAC). The results of the risk assessment of the Express Money Transfer Agent were at **medium** level.

## **8 Real Estate Business**

The real estate business sector in the Lao PDR had many forms, which could be classified into categories such as general buying-selling, leasing, and trading brokers or renters. Real estate business was divided into 05 main groups: agriculture, housing, trade, industry and business for relaxing.

Currently, there are 565 registered real estate businesses in Laos (in terms of land developers account for 15%, there are also land buying-selling or leasing) with registered capital 22,000 billion Kip, equivalent to 22% of GDP in 2014, 18% in 2015 and 17% in 2016, which are considered to be substantial, mostly domestic investors account for about 70% and foreign investors at about 30%. Most of the customers who use real estate services are domestic people, accounting for about 95% of all customers and businesses, mostly small size businesses and to pay the obligations according to the rules and regulation issued by the government, by which the transaction is carried out through a 20% broker.

Income from real estate business from rental (is the existing real estate as home, land, buildings bring to service to others rentals), profit-making investments (investment or purchase buildings, homes under construction or completed to sell for making profit, sales for profits depend on where appropriate), Bidding (meaning buying real estate from the sale of assets that decided by the court as belong to state property, of the person or entity in cheaper markets price, then restored back to rent or sell) and brokerage (the sale of real estate to persons or other entities that get returns % or from sales agreed).

Currently, there is no specific regulation or legislation governing the monitoring and supervision of the real estate sector in the Lao PDR. For Legislation on Anti-Money Laundering and Counter-Financing for Terrorism, there is already (No. 50 / NA, dated 21 July 2014), but the practice in this sector was not as tightened as it should be.

Through the Money Laundering risk assessment of real estate business was seen at the level: **medium-high**. As there are no specific rules or regulations in governing and monitoring



the real estate sector, employees and real estate business operator was lacking the knowledge of anti-money laundering; The implementation of the internal rules and management of employees or business operators was still not tightened and admissible, leading to defects in the business and as a gap for ill-treatment of criminals.

## V. Potential Terrorist Financing Risk Assessment

Lao PDR is a peaceful country without terrorism and financing for terrorism. Although the country had occasionally been a source of aggression or unrest in some localities, it was only the aggression of a group of bad people, Lao people before migrated abroad trying to injure the Lao people in the country by harassing the unrest. Based on the leadership of the Party and state in the security protection, making such problems to be a bit of a problem and gradually settled down. In addition, based on the results of Sub-Committee 1 assessment that assessed the threat assessment and the money laundering risk, it is found that the original offenses that may have been the source of abusive crimes in a small amount, for example **weapons trading or illegal explosive devices** at the **low** risk. As a result, it is clear that the basic factors in terrorism and financing for terrorism are still not there.

### 1) Management of Associations and Foundations:

In the past, there had been a number of associations and foundations activities in Lao PDR, both licensed and unauthorized (meaning, associations and foundations that operated before regulatory management), which could be summarized as follows:

**Table 4.2: Summary of Associations and Foundations in the Lao PDR**

No	Description	Number	Remark
Associations and foundations <b>licensed</b> totally 120 places			
1	Associations	110 places	Nationwide
2	Foundations	10 places	Nationwide
Associations and foundations <b>that were not authorized</b> totally 147 places			
1	Associations	141 places	Nationwide
2	Foundations	06 places	For Vientiane Capital
Total:		267 places	Nationwide

Sources: From the Ministry of Home Affairs, Year 2017

The above-mentioned associations and foundations operating in Lao PDR during the initial data collection of Sub-Committee 0 8 note that the sector has operated in the legal framework, has funding sources and is periodically inspected as follows:

- **Association Activities: Association** was based on the Decree No. 238/GOV, dated 11 August 2017, when the Association has adopted the Rules and the Executive Board of a Licensed Authority (Article 22 of the Decree), it is required to register with the Ministry of Home Affairs, by which the registration is valid for 01 year (Article 20 of the Decree) and **Foundation** whose activities are based on the Decree of Foundation, No. 149/PM, dated 19 May 2011, which is governed by the government, which is the Ministry of Home Affairs, Ministry of Finance, Provincial Administrative Authority and other concerned parties (following Article 38 of the Decree).

- **Funding Sources:** Associations and foundations are funded by donations, assistance from individuals, legal entities, internal and international organizations (*EU, MALG, OXFAM Belgium, FTW Vietnam and Fostenopfer Switzerland*) and others.
- **Inspection:** Associations and Foundations, before issuing a license, there will be a review of the history of the President of Foundation and its Committee, and then the Ministry of Public Security check and verify the history and, after the issuance of the license, there will be an annual report to check on movement and revenues-expenses. However, before licenses were issued, the associations and foundations did not examine the sources of funding that were put into operation.

## VI. Action Plan to address the risk of money laundering in the Lao PDR

Based on the NRA's Outcome Lao PDR comes up with its action plan in order to mitigate the risk by focusing on the issues that need to be solved, responsibilities sector and timeframe of implementation during 2019-2021, to which AML/CFT risk implementation will be reviewed in periodically.

<b>Risk</b>	<b>Plan the Solution</b>	<b>Responsible</b>	<b>Schedule</b>
Policies and Strategies AML/CFT	<ul style="list-style-type: none"> <li>- Create and endorse action plans on AML / CFT work</li> <li>- Encourage the implementation of the Action Plan to progress from time to time.</li> </ul>	NCC, AMLIO, AML WG and Sector concerned	2019-2021
Legislative Standards	<ul style="list-style-type: none"> <li>- Draft Law on Anti-Money Laundering and Terrorism Fund Activities (Entrust);</li> <li>- Draft Law on Countering Proliferation Financing;</li> <li>- Draft Law on Mutual Legal Assistance;</li> <li>- Legislation under Laws (home\host supervision, Market entry, guidelines for each reporting unit , review legislation on STR and CTR.</li> </ul>	AMLIO, AML WG AMLIO and Regulator	2018-2019
The effectiveness of the proceedings	<ul style="list-style-type: none"> <li>- Application of the AML / CFT Law to the Investigation Process</li> <li>- Securing a number of AML / CFT cases;</li> <li>- Build short and long term AML / CFT investigation Officials capacity;</li> <li>- Improving the quality of AMLIO's Intelligence reports by upgrading technical staff and using modern tools in line with international standards into the analysis.</li> </ul>	Investigation Agency , AMLIO AMLIO asks for international Assistance	2018-2021

Monitoring efficiency	<ul style="list-style-type: none"> <li>- Continue to disseminate laws and legislation under the AML / CFT to all parties;</li> <li>- Establish staff involved in AML / CFT technical monitoring as well as quantity;</li> <li>- Establishing a monitoring mechanism for the implementation of AML / CFT measures strictly.</li> </ul>	AMLIO	2018-2021
Know Customer and access to resources	<ul style="list-style-type: none"> <li>- Improve the identity verification infrastructure so that the reporting entity has access to the source for reference in the identity of the individual;</li> <li>- establish mechanisms for law enforcement agencies to access beneficiary information and basic information that the reporting units collected;</li> <li>- Build a modern database of AMLIO to ensure security.</li> </ul>	Ministry of Public Security, Ministry of National Defense  AMLIO  AMLIO	2019-2021
Domestic and international coordination	<ul style="list-style-type: none"> <li>- Establish a mechanism for cooperation with all stakeholders as defined in Entrust;</li> <li>- Establish a modern, safe and time-based partnership in the context of the Lao PDR;</li> <li>- Becoming a member of the International Finance Intelligence Group (Egmont Group);</li> <li>- Extending the framework of cooperation, especially the signing of the MOU with foreign partners, is aimed to exchange information.</li> </ul>	AMLIO, AML Working Group  AMLIO coordinates international assistance  AMLIO, coordinating both domestic and international  AMLIO, coordinating both domestic and international	2019  2019-2021  2018-2021  2018-2021