

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



**The 2nd National Risk Assessment on Money
Laundering and Financing of Terrorism
of the Lao PDR**

October 2024

Preface

As a member of the Asia/Pacific Group on Money Laundering (APG), the Lao PDR government has prioritized preventive measures to anti-money laundering and counter financing of terrorism. To address these issues, the government established the National Coordination Committee for Anti-Money Laundering and Countering Financing of Terrorism (NCC) as a national steering body overseeing all relevant areas. Additionally, the Anti-Money Laundering Intelligence Office was established to coordinate with various stakeholders, enhancing efforts to meet international standards and align with the Recommendation 1 "Assessing risks and applying a risk-based approach" under its 40 Recommendations of The Financial Action Task Force (FATF), with technical support from the World Bank.

Lao PDR conducted its initial national risk assessment on money laundering and terrorist financing from 2017 to 2018. Since then, the country has implemented a risk mitigation plan in each sector, reviewing past results and assessing new risks, especially those related to threats, vulnerabilities, and sectors susceptible to money laundering and terrorism support. In response to these evolving risks, Lao PDR has organized the 2nd national risk assessment to evaluate the previous risk management efforts and identify current risks specific to each sector. This assessment is structured across XI sections:

- Part I: Overview;
- Part II – X: The outcomes of each field: ML Threats, National ML Vulnerability, Tax Crimes, Environmental Crimes, Sectoral risk assessment, Legal Person and Legal Arrangement, Virtual Assets/Virtual Asset Service Providers (VAs/VASPs), Non-Profit Organizations (NPOs), Terrorist Financing.
- Part XI: Action Plan.

It is believed this 2nd national risk assessment on money laundering and terrorist financing report will be an important reference for each sector in the implementation of its detailed work plan to ensure the most effective and efficient implementation.

On behalf of the NCC, I would like to express my gratitude to all sectors responsible for their dedication in providing information, conducting research, and collaborating on the risk assessment, as well as in developing this corrective action plan, which has been successfully completed.

**Chairman of the National Coordination
Committee for Anti-Money Laundering and
Counter-Financing of Terrorism**

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I. Overview

Since the Lao PDR is one of the countries with a financial openness system, the government has focused on maintaining the country's reputation in term of financial stability. Therefore, Lao PDR created a mechanism to fight againsts money laundering and financing of terrorism matter, which is not only to comply with The Financial Action Task Force (FATF) standard, but also for the purpose of creating econnomic security and maintaining financial stability in the world.

In order to ensure the National Risk Assessement on Money Laundering and Terrorist Financing (NRA), the Assessment Committee has been created in which comprised of many relevant agencies from line-ministries such as the Bank of the Lao PDR, the Ministry of Public Security, Ministry of Finance and others. This assessment is an important step and can be a potential step for national and international development on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime. Understanding the risks of ML/TF in the country is crucial in determining the direction, policy and strategy on mitigating the risk to ensure the continuous improvement along with the development to keep up with the conditions and patterns of financial crimes occurring both in the region and globally which are increasingly complex. This the 2nd NRA, it is based on the identified dificiencies in MER of the Lao PDR in 2023. The 1st NRA in 2018, the NCC has developed a national strategic plan to prevent and mitigate the risk of ML and TF, with a 10-year strategic goal (2021-2030) and a vision until 2035, focusing on 05 strategies: 1.) Legislation; 2.) Implementation mechanism on AML/CFT; 3.) Supervison; 4.) Prosecution on ML/TF/PF; and 5.) International cooperation.

1.1. Objective

The purpose of conducting this 2nd NRA is to continue to comply with the international standards as well as the Recommendation 1 "Assessing risks & applying a risk-based approach" of the 40 Recommendations of the FATF and received technical assistance from the World Bank. This re-assessment is to identify, analyze, assess the risk and understand 07 priorities of ML Threats, to review through the first three prioritized sectoral risk such as Casino, Banking and Real Estate, to review national ML vulnerability, TF risk identified in the 1st NRA, as well as other risk areas that have not been assessed in the 1st NRA as identified in the 2023 MER such as Legal Person and Legal Arrangement, Tax Crimes, Environmental Crimes, Non-Profit Organizations (NPOs), Virtual Assets/Virtual Asset Service Providers (VAs/VASPs). This 2nd NRA assessment is also covered broader range of elements, including laws, regulations, law enforcement and other measures that will help relevant authorities to effectively implement to solving and mitigating the ML/TF risk.

1.2. Risk Assessment Procedure

The National Coordination Committee for AML/CFT (NCC) has appointed an Ad Hoc Committee responsible for conducting the assessment that consists of all areas, both local and central level, which includes 11 sub-committees to carry out the risk assessment as detailed below:

1.2.1. Preparation Phase

- The Lao PDR has sought international partners regarding the task of assessing the national ML/TF risk, in particular, the World Bank, which has experience in providing assistance on the mentioned task to many countries, including assisting the Lao PDR in the 1st NRA in 2017-2018. Therefore, Lao PDR has requested cooperation and technical assistance from the World Bank and ILSTA, something which has received a good response. There has been consultation, preparation, monitoring and training at each stage of the assessment process;
- Reached out and took lesson learnt from jurisdictions who are currently preparing or already completed the NRA, such as: Thailand, Cambodia, Indonesia and Australia including neighboring countries. This has made Lao PDR understand the preparation process of each country in order to create work plans in conducting the NRA assessment effectively.
- Report and propose to the Government for the approval of the conducting the 2nd NRA.
- Set up the Ad Hoc committee from line-ministries and relevant sectors to participate in the actual implementation both at the central and local level.

Structure of Ad Hoc Committee for National Risk Assessment on Money Laundering and Financing of Terrorism of the Lao PDR

President of the National Coordination Committee for Anti-Money Laundering and Counter-Financing of Terrorism



**Anti-Money Laundering Intelligence Office
(Secretariat)**

Sub-committee 01

Research, collect data and assess risks in the Real Estate sector

Sub-committee 02

Research, collect data and assess risks in the Legal Person and Legal Arrangement risk sector

Sub-committee 03

Research, collect data and assess risks in the Vas/VASPs sector

Sub-committee 04

Research, collect data and assess risks in the NPOs sector

Sub-committee 05

Research, collect data and assess the risk of crimes related to Tax Crimes and money laundering

Sub-committee 06

Research, collect data and assess the risk related to the Environmental Crimes

Sub-committee 07

Research, collect data and assess the risk of ML Threats

Sub-committee 08

Research, collect data and assess risks in the Banking sector

Sub-committee 09

Research, collect data and assess risks in the Casino sector

Sub-committee 10

Research, collect data and assess the risk of TF

Sub-committee 11

Research, collect data and assess the risk related to National ML Vulnerabilities

1.2.2. Assessment Phase

There has been the building of understanding for all relevant sectors by organized the workshop with the World Bank's experts at the end of November 2023 in order to build an understanding of the assessment procedures. Following the appointment of the Ad-Hoc Committee, workshop and trainings have been continued with the World Bank in order to thoroughly understand the assessment process, contents of the assessment and the assessment tools in order to determine and formulate the assessment implementation work plans as well as determine implementation and timeframe. The highlight has been on some issues that must be grasped, such as:

- Reviewing 7 priority ML Threats including the assessment of Tax crimes, Environmental crimes, Transnational crimes and prioritized risk sectors namely Casino, Banks, Real Estate, and Legal Person and Legal Arrangement, NPOs and VAs/VASPs;
- Determining Input Variables that have been separated into AML Control Variables and Inherent Vulnerability Variables. Additionally, there is also Intermediate Variables;
- Determining assessed targets, both state organizations and the private sectors across the country that are deemed at risk of ML/TF;
- Creating the questionnaires for collecting the data to be used in the NRA;
- Conducting awareness raising across assessed targets and gave out questionnaires to both state organizations and private sectors to fill out the forms;
- Summarizing the forms sent back by assessed targets, including open sources data collection and then input the assessment tool (Excel Template) based on the result of the real data collection from the central and local level in order to formulate the NRA report.

In addition, there has been a gathering information from open sources via media, related reports both internal and international organizations as well as coordination for information request from neighboring countries and etc. to be used in this NRA report.

1.2.3. Analysis and Report Drafting Phase

- After gathering all data, the sub Ad-Hoc committees analyzed the data objectively to determine the level of accuracy and certainty of the data;
- Inserted data into the NRA tools to observe the results to compare with the real situation;
- Organized specific workshop with the World Bank's experts regarding preliminary results of the assessment in order to discuss the analysis method, cross-check the data obtained with standard variables and conducted assessment;
- Finalized the outcomes NRA report.

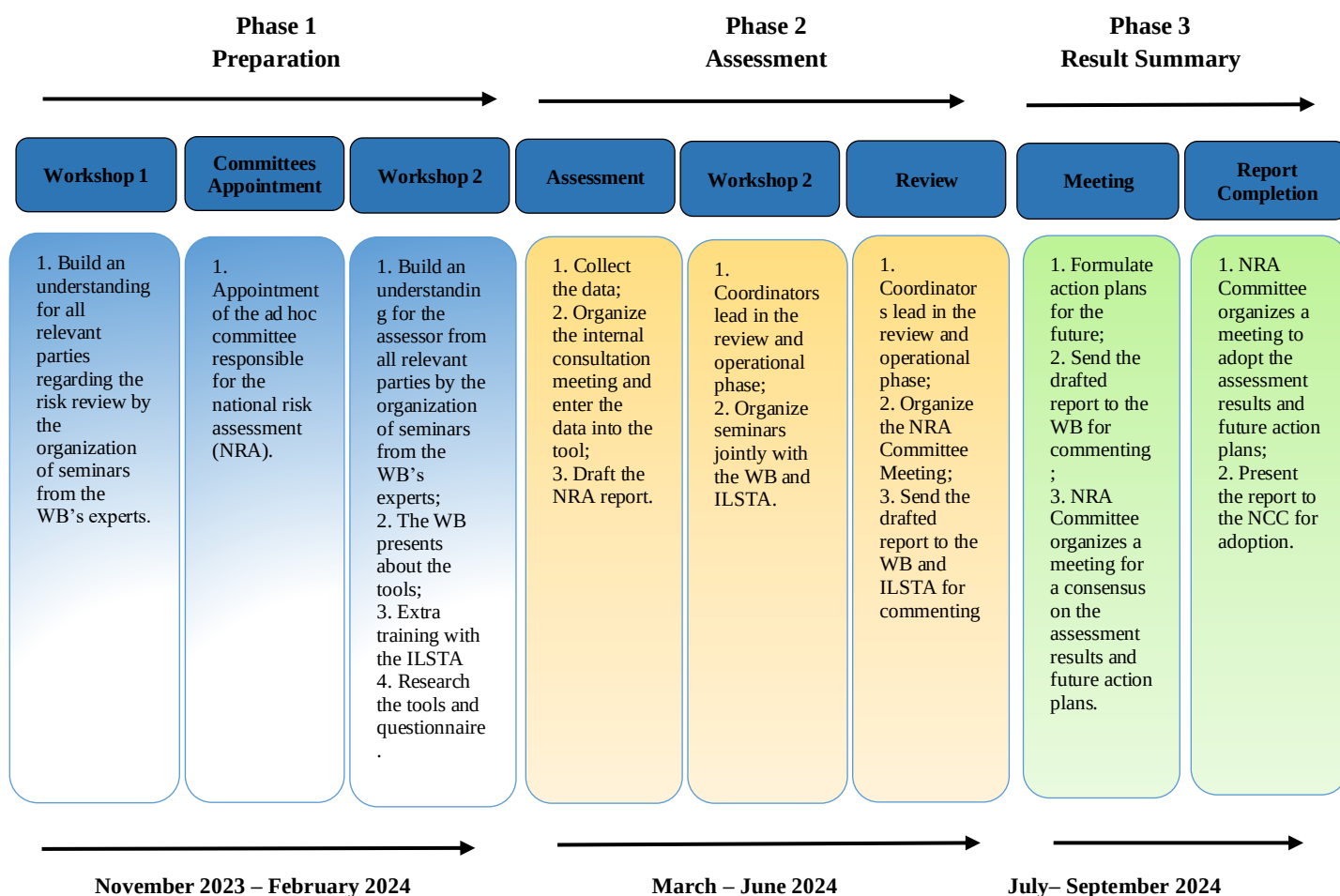
Strengths and Constraint in the Conducting of the Assessment

A. Strengths

- The government has prioritize and pay attention to the NRA by appointing an Ad-Hoc Committee to assess each area by focusing on monitoring, and having close supervision on a regular basis;
- The Bank of the Lao PDR support the sub-committees through budget and other facilities to conduct the assessment. In addition, some of the budget has been received from the World Bank to serve in the work and collection of the primary data of each sub-committee;
- Relevant sectors of the line-ministries and organizations, both central and local level, cooperated with the sub-committees enabling a good collection of data;
- The sub-committees are attentive, the sacrifice of their time, that is participating in the research and contributing according to the NRA assessment procedures.

B. Constraint

- Despite being the 2nd NRA, but the understanding of the AML/CFT regime of the sub-committees, supervisors, reporting entities and determined targets in the risk assessment is still limited.
- The coordination of the relevant sectors has not yet shown fully participation in implementing its role and functions. Besides, some of the member in sub-committees have been reallocated and changed in position, making the coordination is more challenging and discontinuous;
- The attention to data responses of the relevant sectors has not been high and not according to schedule;
- The data obtained has not enabled a response according to the international standards, such as duration (time) and some variables do not exist.



II. Assessment of Potential Threats and Money Laundering Risks

2.1. Overview

Money laundering is a criminal offense that has affected, is affecting, and will continue to affect the peace, and socio-economic development of many countries in the region and in the world. The Lao PDR is one of the countries affected by money laundering and it is a threat to the country's economic stability because criminal offenses related to money laundering continue to occur.

According to the record of criminal activities, the predicate offenses which were a threat with a high risk of money laundering, and that occurred in the Lao PDR during 2018-2022 totaled 17,312 cases. Through the investigation, and case proceedings, it is found that the business banking and other sectors. These areas, although there were stronger AML/CFT than other sectors, are still being exploited the most due to the development of service systems that have many forms of products and become more modern. Through the collection and recovery of the damages caused by such offenses, the amount of money or resources that can be collected from the offenses or the state's bribes is an average of 395 billion kip or the equivalent of more than 22 million US dollars. Through the collection and recovery of the damages caused by such offenses in terms of money or assets that can be collected from the offense or seized by the state, the total averages 226 million billion Kip, or the equivalent of more than 10 million US Dollars.

The objective of the national risk assessment review of prioritized ML threats is to reanalyze the risk level of the behavior of predicate offenses or criminal offenses with a high risk of money laundering according to NRA report of the Lao PDR in 2018, including the offenses determined in the 2023 MER of Lao PDR. Additionally, the assessment will help the reporting entities to identify threats with a high risk of money laundering and the bringing of illegal money into the economic system.

2.2. Conducting the Risk Review

The review of the ML Threats consists of 1) drug production and trafficking; 2) counterfeiting of cheques, illegal usage of cheques or other bonds; 3) robbery; 4) counterfeiting of currency or usage of counterfeit money; 5) forgery or usage of the forged document; 6) fraud; 7) corruption; 8) human trafficking; 9) violation of regulations on the customs regime, as well as considering if those offenses have the characteristics of a transnational crime.

Based on the actual situation, the condition and the compilation of the data on the threat indicators from the predicate offenses, the predicate offense with money laundering and the flow of money in-out of the Lao PDR, the data period is set backward from 2018-2022 by determining the threats with a high risk of money laundering. In addition to central level data collection, there is also the data collection at the local level from all 18 provinces across the country according to the World Bank's assessment methods and tools based on the statistics of ML cases, statistics of predicate offense cases and the value of the assets seized, frozen and confiscated as elements of the risk level that consists of 05 levels such as: High (H), Medium-High (MH), Medium (M), Medium-Low (ML) and Low (L).

2.3. Results of the Risk Assessment Review

2.3.1. Drug Production and Trafficking

The drug production and trafficking offense is a criminal offense, including production, trafficking, smuggling, possession, distribution, and other. Such an offense is a threat with a **Medium-High** level of ML risk. In the period of 2018-2022, there are case proceedings and statistics which total 12,867 cases, accounting for 74.69% of predicate offenses with an average asset value of more than LAK 77 billion or the equivalent of USD 4.4 million, among them, ML comprised 21 cases.

In Lao PDR, most drug-related cases predominantly involve the trafficking and transportation of narcotics, with many individuals prosecuted for acting as hired transporters. While the Lao PDR is not a source country for narcotics production, it shares borders with five nations: China to the north, Vietnam to the east, Cambodia to the south, Thailand to the west, and Myanmar to the northwest. Moreover, the country's proximity to the Golden Triangle that lead to be risk areas of being abused by criminal groups or drug dealers to use as the channel to secretly smuggle narcotics to other countries. The smuggling itself frequently enter Lao PDR through natural border passages, non-protected checkpoints, and water routes, making comprehensive control efforts particularly complex.

2.3.2. Corruption

The corruption offense is considered as serious and important crime that affects the credibility of the country and it is an important international issue. The review of this crime

during the assessment period of 2018-2022 contains the increased case statistics compared to the previous assessment for 2017-2018, a total of 10 cases, accounting for 0.05% of predicate offenses, among them, money laundering cases comprised 01 case and threats that have been reviewed, in which, most of the behavior of the offense is of abusing their power and position for personal gain and with the average value of damaged assets been more than LAK130 billion or the equivalent of more than USD 7.5 million. The threat of corruption is placed at a **Medium** level.

2.3.3. Robbery

The offense of robbery is a crime that frequently occurs as shown by the increased case statistics, in a total, in the period of 2018-2022, of 2,376 cases, accounting for 13.79% of predicate offenses, and among them, ML cases comprised of 06 cases and threats that have been reviewed, due to a changing economic situation which makes it an important factor which causes the offense. Most offenses involve the asset value that is not so high but the frequency of the offense and such offenses have been resolved according to the laws of the Lao DPR, which have the average value of damaged assets of more than LAK 2.6 billion or the equivalent of USD 150,987. The threat of robbery is at a **Medium** level.

2.3.4. Fraud

The fraud offense is one of the crimes that is not very serious but there are cases which occur continuously. Through the investigation and case proceedings, there are 1,574 cases, accounting for 9.13% of predicate offenses, among them, ML cases comprise of 04 cases, and with the average value of damaged assets of more than LAK 14 billion or the equivalent of USD 813,008. The threat of fraud is at a **Medium** level. The criminal activities comprise of many forms, mainly creating a trust for the victims, using the initial business cooperation as scheme, persuasion through online social media, and others. The most common offenses are business partnership fraud, money lending, telecommunication fraud and other, which makes the victim misleadingly believe and to then give their assets to others making statistics of this type of case and damages increase but the perpetrators have been resolved according to the laws of the Lao PDR.

2.3.5. Human Trafficking

The offense of human trafficking is a serious crime and has a direct and indirect impact on life, assets, mental health, violates fundamental rights of citizens and order in society. Through the resolving of, the investigation, and case statistics have not been many and has been reduced from the previous assessment in 2017-2018, which in 2018-2022 totals 65 cases, accounting for 0.37% of predicate offenses, among them, ML case of comprised 01 case and threats that have been reviewed, and with the average assets value of more than LAK 530 million or the equivalent of USD 30,778. The threat of human trafficking is at a **Medium-Low** level. Through taking the testimony of the victims of human trafficking and case proceedings, it is indicated that the human trafficking in the Lao PDR has many forms, such as forced sex, forced labour, and surrogacy. Most of the victims of human trafficking are lied to and deceived by the offering high wages to work in neighboring countries, some special economic zones in the country, and others. The cases that occur, of human trafficking, offenses have been resolved

and offenders prosecuted according to the laws of the Lao PDR. As for the victims, they have been given assistance in rehabilitating their bodies, minds and labour skills training before re-entering into society.

2.3.6. Counterfeiting of Cheques, Illegal Cheques or Other Bonds Usage

The cheque counterfeit, illegal cheques or other bonds usage is a criminal offense that has a direct impact on a direct business partner. Through the process of resolving cases in the period of 2018-2022, case statistics increased to 115 cases, accounting for 0.66% of predicate offenses and threats that have been reviewed, and with the average value of damaged assets of more than LAK 370 million or the equivalent of USD 21,486. Even though the threat of cheque counterfeit, illegal cheques or other bonds usage have increased the risk of money laundering is at a **Low** level, due to the deliberation and intention of the offender to forge a cheque or write a cheque but does not specified the amount of money to gain time in assets trading or doing business together.

2.3.7. Counterfeiting of Currency or Counterfeit Currency Usage

The currency counterfeite or counterfeit currency usage is a criminal offense that does not happen very often, but there are cases. The number of cases show that there are 13 cases, accounting for 0.07 % of predicate offenses and with the average assets value of more than LAK 1 billion or the equivalent of USD 58,072. After considering the threat level of currency counterfeite or counterfeite currency usage is at a **Low** level, although there is an increasing number of trends, due to it is the habit of the majority of Lao citizens, particularly in the local area, to use cash in trading between each other, the actual spending has not been thoroughly examined and there is no tool yet, so it is a gap and opens up opportunities for groups of bad people to take advantage of the crime for the benefit of the offenders themselves, but it is still not high in value.

2.3.8. Forgery or Usage of the Forged Document

There are a total of 205 cases of the offense of forgery or usage of a forged document, accounting for 1.19% of predicate offenses and threats that have been reviewed and with the average assets value of more than LAK 405 million or the equivalent of USD 23,519. The threat of forgery or usage of forged documents is at a **Low** level due to the fact that most of the offenders take advantage of the loopholes to add a number to the document, forge signatures, stamps, etc., such offenses, however, are of a low value, mainly as income from the use of administrative documents for the benefit of the offenders themselves.

2.3.9. Violation of Regulations on the Customs Regime

The offense of violation of regulations of the cumtoms regime is an offense that occurs in the border area of groups of bad people who rely on familiarity in mountainous areas or natural channels where the authorities have difficulty in assessing and exploit gaps in tools or equipment to check passengers entering-exiting the Lao PDR in some checkpoints that have not been available. The task of investigating-examining the threat of violation of regulations on the customs regime and money laundering is a new issue that the customs authorities are in the process of building capacity or training. In the past period of 2018-2022, most of the cases

were resolved by way of education and administration. The threat of violation of regulations on the customs regime is at a **Low** level.

2.3.10. Offenses with Transnational Crimes

In this review of the offense assessment, it is seen that offenses that are threats with transnational crimes consist of the threat of **drug production and drug and human trafficking**. For those offenses, the Lao government has made great efforts to resolve, prosecute and suppress them. In addition to using strict legal measures, the government in 2021-2023 issued a National Agenda on solving the drug problem and extended the mentioned national agenda until 2025. In particular, the issue of human trafficking, the Lao government considers it to be very important where there is a national committee in charge specifically. The mentioned committee is currently implementing the 5-year national work plan on combatting human trafficking (2021-2015) with the Ministry of Public Security (MOPS) as the main agency responsible for coordinating with relevant parties from the central level to the local level with an emphasis on prevention, protection and assistance to victims, case proceedings and international cooperation.

In addition, there is also a prominent situation of offense, which has transnational crimes, of groups of bad people operating **telecommunication fraud (Call Centres)** within Golden Triangle Special Economic Zone, Tonpherng District, Bokeo Province, which has taken advantage of the gap in the business license permitting them to operate a business that the government has determined, but instead operating the telecommunication fraud business in the Golden Triangle Special Economic Zone as a place for telecommunication fraud activity of individuals or groups of people, mainly Chinese (87%), Vietnamese (10%), Malaysian (1%), Ethiopian (1%) and Burmese (1%) by using phones and computers as tools to commit crimes. The authorities of the Lao PDR, together with the authorities of China and Vietnam have taken action to resolve the case for/conducted a correction against individuals or groups of people operating the telecommunication fraud and as for the disputed properties, Lao PDR has created a handover memorandum to the authorities concerned for each country to prosecute the case according to law.

2.4. Analysis of Threat Level from the Countries Surrounding the Lao PDR

The Lao PDR is a country located on the Indochina Peninsula with has the border with 05 countries (Vietnam, China, Myanmar, Cambodia, and Thailand). From the geographic location of the country, the Lao PDR is also connected to the Golden Triangle which includes 03 countries, such as Lao, Thailand and Myanmar, leading to be risk areas and considered as transnational crime issue that countries are looking for the measure to prevent, resist and suppress. Through close monitoring and coordination with international partners in the past, it has been seen that the mentioned crime has a deep, tactful and complex operation, the most prominent of which is drug trafficking, online fraud, kidnapping, murder, and other. Such crime problem has a direct and indirect impact on the protection of peace, order as well as economic development in the border area.

Due to an ongoing crime situation, the Lao government is concerned about security, peace, order and development, as well as to ensure the benefit to the people, so it has increased its attention to the problem of serious organized crime along the border, which had occurred,

is occurring, and will continue to occur in many forms, in many ways, with the characteristic of a transnational network.

The Lao PDR is one of the countries affected due to the country's geographical location being easy to travel in and out of for Lao citizens and foreigners, and it is a country that is undergoing extensive economic development, so there may be a risk that it could be used as a channel to commit wrongdoings by groups of bad people or criminals.

2.5. Summary of the Risk Review

The outcome of the National Risk Assessment Review on threats with a high risk of money laundering can be summarized as follows:

Table 2.1: Outcome of the National Risk Assessment Review on Threats

No.	Offenses	Threat Level	Remarks
1	Drug production and trafficking	Medium-High	
2	Corruption	Medium	
3	Robbery	Medium	
4	Fraud	Medium	
5	Human trafficking	Medium-Low	
6	Counterfeiting of cheques, illegal usage of cheques or other bonds	Low	
7	Counterfeiting of currency or usage of counterfeit money	Low	
8	Forgery or usage of the forged document	Low	
9	Violation of regulations on the tax regime	Low	

Data source: 2024 NRA Outcomes.

III. Assessment of Potential Money Laundering Risk Preventive Measures

3.1. Overview

Lao PDR uses the Civil Lawts that consist of two 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 notifications). Currently, the Lao PDR has issued 166 laws and 1,269 pieces of subsidiary legislation, including over 50 specific regulations focused on mechanisms for AML/CFT. The implementation on AML/CFT activities are carried out in line with the Law on Anti-Money Laundering and Counter Financing of Terrorism, as well as other relevant laws.

3.2. Conducting the Risk Assessment

Assessment through analysis and explanation or justification for vulnerability includes 22 main variables: 1). Quality of AML policy and strategy; 2). Effectiveness of ML definition; 3). Comprehensiveness of asset forfeiture laws; 4). Quality of FIU intelligence gathering and processing; 5). Capacity and resources for financial crime investigations (including AF); 6). Integrity and independence of financial crime investigators (including AF); 7). Capacity and resources for financial crime prosecutions (including AF); 8). Integrity and independence of financial crime prosecutors (including AF); 9). Capacity and resources for Judicial processes (including AF); 10). Integrity and independence of judges (including AF); 11). Quality of border controls; 12). Comprehensiveness of the customs regime on cash and similar instruments; 13). Effectiveness of controls on cash and similar instruments; 14). Effectiveness of domestic cooperation; 15). Effectiveness of international cooperation; 16). Formalization level of economy; 17). Level of financial integrity; 18). Effectiveness of tax enforcement; 19). Availability of independent audit; 20). Availability of reliable identification infrastructure; and 21). Availability of independent information sources and 22). Availability and Access to Beneficial Ownership Information. From the 22 main variables mentioned above, the responsible committee has evaluated and reasoned through 11 intermediate variables as stated in the evaluation results section in Section 3.3 and 3.4 of Section III.

3.3. Results of the National ML Vulnerability Assessment

In this assessment of ML vulnerability, the committee has used the work mechanism by organizing meetings, discussions, summarizing, providing information, documents and related regulations to each part related to each variable, which includes 13 ministries and organizations and includes 32 departments that have worked together to assess the national vulnerability review, which has the following evaluation results:

3.3.1. Reliability of Financial Records/Books

The Reliability of Financial Records/Books is rated as Medium level, largely due to the Lao PDR has improved the management of revenue collection to be more effective in order to ensure that tax revenue collection is achieved as expected in the country. Even in the past, the tax sector has faced many obstacles and challenges in the implementation of revenue collection. However, the main cause of the challenge is due to non-compliance with the regulations, non-filing, delays in tax reporting.

To address these challenges, the Department of Taxation under the Ministry of Finance has introduced a more accessible, transparent, and verifiable tax payment system through an electronic platform (TaxRIS) or online tax information input that enables taxpayers to manually print various tax notifications and choose from three payment options: 1) Payment through the bank's Easy-Tax system at the bank's cash desk, 2) at the National Treasury counter, or 3) at tax sector service boxes, where investigative agencies can access tax information as per regulatory requirements. Tax authorities are also tasked with providing information, guidance, and advice on tax management. In practice, enforcement relies heavily on administrative measures, such as fines and temporary suspensions, rather than criminal prosecution, resulting in a lack of recorded statistics on regulatory violations.

For auditors or independent auditing companies to audit accounts in accordance with auditing standards. By determining that auditing companies must implement the rules of professional activity according to professional ethics and professional auditing standards which the Ministry of Finance mandates adherence to international auditing standards, as outlined by the International Auditing and Assurance Standards Board (IAASB), including the standards related to anti-money laundering (ISA 240).

However, the level of financial integrity, the effectiveness of tax implementation and the availability of independent audits can be implemented. However, the actual implementation mechanism is not as focused as it should be, which is caused by limitations in terms of knowledge specific expertise, materials or modern tools and the application of criminal sanctions in case of violation.

3.3.2. Quality of CDD Framework

The Quality of CDD Framework is rated as **Medium-Low** level, as the Lao PDR has the basic infrastructure for collecting accessible data on individuals and legal entities to verify customer profiles. This is achieved through reliable and independent sources such as documents, data or credible news, which can also help to prevent the use of counterfeit or incorrect identification documents. Reporting entities can utilize national databases to verify customer information, including the household registration system and national identification cards, which serve as official documents for personal identification and for conducting various transactions. Currently, the Department of Census and Grassroot Development within the Ministry of Public Security is linked with all provinces nationwide, providing a comprehensive public information database.

In addition, the Lao Credit Information Company has been established with the role of serving as a central hub for data collection from members, organizations, and utility companies. There are two service models: 1) Offline service for individuals and legal entities and 2) Online service for members through the credit information system (24/7), with the reliable sources of information as follows:

1. Data Collection from 239 members, 39 commercial banks, 17 deposit-taking micro-finance institutions, 106 non-deposit-taking micro-finance institutions, 29 credit and savings cooperatives, 30 credit leasing companies, 15 pawnshops, 3 other parties;
2. Data Collection from the Ministry of Industry and Commerce, specifically enterprise registration data through the Application Programming Interface (API) system;
3. Data Collection from utility companies: such as electricity bill payment, water bill payment and telecommunication bill payment.

Additionally, there is a regulatory mechanism for registration procedures which includes verification of shareholder information or beneficial owners. The enterprise registration officers check the number, type of document, completeness and accuracy of the content of the document, especially the name and surname of the shareholders, ensuring they match the individual's ID card, family books or passport. For shareholders who are legal entities established under foreign laws, their names are verified against enterprise registration certificate or documents proving their legal status, as well as the names of managers, directors, shareholders of such legal entities.

For information on the beneficial owners, there are standardized data collection procedures. For tax-related data, collection is conducted through the Tax Revenue Information System (TaxRIS); import-export management systems; foreign currency management systems; credit information systems; labor management systems; investment management systems; and other systems. This beneficial ownership information can be accessed through the following channels: 1) National Enterprise Database website, and 2) Enterprise registration record extracts (in document or file format).

Furthermore, reporting entities are responsible for customer identification through the customer due diligence process, with increased scrutiny both before and after providing services as required by law.

Contrastly, the completeness and comprehensiveness of mechanisms for identifying actual beneficial owners across relevant sectors are still inadequate due to limitations in modern equipment or tools supporting interconnected data systems and database access.

3.3.3. Accessibility to Reliable Info and Evidence

The accessibility to reliable information and evidence is rated as **Medium** level because the Lao PDR has a monitoring of the informal economy, which is a business operation that is not under the system or official management, which underground businesses operate outside of official systems or regulation, including those that produce goods and services legally or otherwise. For example, informal employment refers to jobs conducted outside official structures and are not subject to taxes, workplace regulations, or social protections, regardless of whether the economic unit is formally recognized. Although the informal economy is not bound to contribute to state responsibilities, its added value in goods and services does contribute to the GDP and job creation in the country. Data on the characteristics and size of the informal economy are limited and difficult to estimate. Such information is crucial for policymakers to understand clearly to establish accurate economic policies. A significant portion of the economy still relies on cash transactions, as most Lao citizens are accustomed to using cash for daily goods and small transactions. Small businesses such as merchants, traders and small business units, as well as streets vendors along the roadside.

According to research from the ILO-Korea Social Protection Collaboration Project in Lao PDR, which analyzed the informal economy and efforts to expand social security, 82.9% of employment in Lao PDR is informal, with female employment (85.9%) exceeding male employment (79.9%). Also, because workers in the informal economy have irregular incomes and no accounting records, which makes it difficult to enforce various laws such as tax and social security laws.

However, with regard to the level of formalization of the economy, there are still limitations in the infrastructure of comprehensive and sufficient information to promote the transparency of the country's economy.

3.3.4. Quality Of Customs Controls on Cash and Similar Instruments

The Quality Of Customs Controls on Cash and Similar Instruments is rated as **Medium-Low** level, due to Lao PDR has established adequate legal frameworks and mechanisms, including the use of modern tools in inspection processes. These tools are employed to monitor the movement of cash and valuables, which are periodically updated. Additionally, there are

penalties for those violating regulations, whereby, during inspections, any unauthorized cash, precious metals, and gemstones can be seized according to established rules and laws. Contrastly, the comprehensiveness and effectiveness of practical enforcement reveal challenges in border inspections, where in some cases, inspections may miss items due to a lack of equipment and advanced technology to aid in actual inspection work.

3.3.5. Quality Of Cross-Border Controls on Cash and Similar Instruments

The quality of border inspection on cash and similar instruments is rated as **Medium-Low** level because Lao PDR has mechanisms in place, such as bilateral cooperation agreements with neighboring countries for information exchange, procedures for inspection, and the use of various technical and specialized equipment in search operations. Additionally, there are trained personnel with expertise following international standards, including skills in investigative and questioning techniques, anti-drug trafficking under the CADS program, and border control inspections. There are also public announcements and signage at border customs checkpoints to inform citizens and travelers carrying cash, valuables, and financial instruments when entering and exiting the country with excessive specified amounts must report to customs officials at checkpoints.

However, in terms of the quality of custom and border inspections, such as coordinating military movements along the border, efforts are generally effective but still do not cover all border areas due to natural geographic limitations. These areas are remote from transportation routes or urban centers, leading to vulnerabilities and difficulties due to a lack of electronic monitoring systems and coordination mechanisms between central and local authorities. These gaps allow for the smuggling of goods, human trafficking, narcotics, weapons, and the unauthorized cross-border movement of cash and valuables.

In practical enforcement, while it is possible to inspect and apprehend offenders for smuggling cash and valuables across borders, it is still challenging to investigate and prosecute these as criminal or money laundering cases.

3.3.6. Quality Of Criminal Investigation

The quality of criminal investigations is rated as **Medium-Low** level because the Lao PDR established the country's financial intelligence unit, so called the Anti-Money Laundering Intelligence Office (AMLIO) in 2007 as being one of the state organizations with equivalent status to the Department and has the role of chief and assistant to the NCC in the implementation of management, monitoring and inspection of AML/CFT matter. AMLIO is established in the form of administrative financial intelligence unit, which plays an essential role in receiving suspicious transaction reports, analyzing data, disseminating information and providing financial intelligence to domestic investigative agencies and foreign partners. For budgetary support for activities, technical resources, and personnel, the government supplies funding according to periodically defined plans. While work is progressing, there are still gaps in meeting actual needs. For personnel training, there have been over 80 training sessions both domestically and internationally. However, the current team consists of 46 personnel, which, compared to the expanding socio-economic context, suggests a need for additional personnel across various work areas. AMLIO has cooperated and coordinated with relevant authorities and foreign partners for financial information exchange as follows:

Table 3.1: Statistics of information exchange between AMLIO and investigation authorities (Spontaneous and by request)

Organizations	2018	2019	2020	2021	2022
Ministry of Public Security	42	49	86	86	184
Customs Department, Ministry of Finance	1	3	4	-	7
Forest Inspection Department, Ministry of Agriculture and Forest	4	3	1	-	-
Anti-Corruption Department, State-Audit Organization	-	2	1	-	-
Total	47	57	92	86	191

Data source: AMLIO, 2024

Table 3.2: Statistics of report to AMLIO

Types of report	2018	2019	2020	2021	2022
STRs	293	403	316	334	202
CTRs	357,269	367,661	382,026	445,913	571,000
CBRs	26	19	8	10	

Data source: AMLIO, 2024

Table 3.3: Statistics of information exchange between AMLIO and foreign counterparts

	2018	2019	2020	2021	2022
Inward	7	5	3	1	3
Outward	0	2	3	4	0

Data source: AMLIO, 2024

Table 3.4: On-Site statistics for Reporting Entities conducted by AMLIO

	2018	2019	2020	2021	2022
Number of reporting entities	18	19	4	27	11

Data source: AMLIO, 2024

The investigation organizations consists of 6 parts: the investigation agency of the police officer, forest inspection officer, anti-corruption officer, customs officer, national defense officer and securities officer. They receive specialized technical support, knowledge gained from training, resources, and personnel. Additionally, there is also a legal framework that defines the rights and duties of investigative organizations to conduct investigations, inquiries into offenses, monitoring, inspections, arrests, seizures, asset and fund freezes obtained from offenses and handling financial instruments from illicit activities, which investigative agencies can implement well. Moreover, the implementation of the work of the investigation is carried out on the basis of utmost honesty and independence. In addition, it also defines prohibitions related to the implementation of the rights and duties of the investigation agencies, such as: 1). Use the rights and duties of the position beyond the scope of their

responsibility; 2). Use rights, duties and weapons to threaten people; 3). Abusing rights and duties for personal gain.

The Office of Supreme People's Prosecutor (OSPP) is a state agency with the duty to monitor and enforce law compliance nationwide, covering government entities, ministries, agencies equivalent to ministries, local administrations, enterprises, and citizens to ensure correctness, independence, and the right to prosecute offenders according to the law. At the same time, OSPP is fully organized, with its own budget, personnel, and capability to manage the prosecution and declaration of cases involving financial misconduct, including money laundering and bribery. The President of OSPP, OSPP's officers and the assistants carry out indictments and statements of financial offenses with independence and autonomy in their activities. In addition, to guarantee integrity, there is also a definition that prohibits behavior such as: abusing one's position, duty, authority for personal gain, family or relatives; Exceeding rights and duties; Coercion and threats to the suspect, defendant, prisoner or accomplice in the case; neglecting duties, misrepresenting the truth, concealing or protecting the suspect, defendant, prisoner or accomplice in the case.

The coordination mechanism of organizations related to anti-money laundering that are involved in anti-money laundering can cooperate and coordinate effectively by establishing the NCC in 2015, which was appointed by the Prime Minister, consisting of the Deputy Prime Minister as the Chairman and the Deputy Minister or Deputy Head of the relevant organization as the Vice President and 17 directors in total. Through the appointment of the AML Working Group consisting of 40 members, which includes investigative organizations, Supervisors agencies for Reporting Entities, the People's Prosecutor's Office, the People's Court, AMLIO and related parties. The AML Working Group has a consultation meeting every 3 months or in case of necessity and urgency. It can open a meeting at any time, which in the past has held more than 100 consultation meetings.

Additionally, there is also a Focal Point Committee responsible for AML/CFT at the technical level, which is responsible for the actual implementation of the work, including 12 members from relevant agencies to ensure coordination between the investigative agencies, the People's Prosecutor, the People's Court, and AMLIO to be effective, complete, convenient, flexible and in line with the situation information. This focal point facilitates communication, monitors financial transaction reports, disseminates and exchanges information both sporadically and by request, and oversees relevant case management and et cetera from 2018–2022 approximately 473 cases/exchanges.

The Lao PDR has legal frameworks and mechanisms for international cooperation mechanisms in a proactive and effective manner on AML, predicate offenses, conducting investigations and prosecutions, as well as seizing, freezing, and confiscating assets as required. In addition, it is a signatory to several important international agreements relevant to anti-money laundering efforts, both regionally and internationally. There are also support mechanisms in place for Mutual Legal Assistance (MLA) across various forms, under international treaties and other collaborative frameworks. For the appropriate time frames for requests or responses for cooperation, implementation follows the provisions of treaties or the domestic laws of each country, especially AMLIO has made exchange information with foreign counterparts of 28 instances during 2018-2022.

However, in terms of developing the capacity of personnel, equipment, electronic systems, and coordinated implementation both domestically and internationally, there is still some room for improvement to fully align with the principles stated in legislation. This shortfall occasionally results in delays in financial or money laundering investigations. These delays are often due to the involvement of multiple sectors, provinces, countries, and different groups of offenders, making it challenging for the process to keep up with real-time incidents.

3.3.7. Quality Of Criminal Prosecutions

The Quality of Criminal Prosecutions is rated as **Medium** level because the Lao PDR has a legal framework that dictates the activities of prosecution agencies on money laundering including: 1). investigation agency; 2). People's Prosecutor's Office; and 3). People's Court. Additionally, the legislation also stipulates that prosecution of money laundering cases must be conducted in parallel with criminal offenses and predicate offenses, as well as financial investigations that can be conducted urgently, comprehensively, carefully and ensure the correct and fair implementation of the law. In cases where there is no predicate offense or the predicate offense occurs outside of the country, only the money laundering case should be pursued. Procedures and steps for prosecuting money laundering cases follow the provisions specified in the Criminal Procedure Law and other relevant laws.

However, because in terms of the quality of investigations, the ability of personnel to prosecute financial or money laundering cases, the effectiveness of domestic and international cooperation, as explained in the analysis of the intermediate variable in clause 3.3.6, there are still considerable limits, which is a part of the quality of prosecuting cases related to money laundering that is not as good as it should be.

3.3.8. Quality Of Adjudication

The Quality of Adjudication is rated as **Medium-Low** level because the Lao PDR has a clear legislation specifying that the People's Court is the judicial body responsible for case judgments. Only the court has the authority to make rulings based on evidence, respecting and strictly enforcing the law. During case trials and judgments, the court operates independently and adheres strictly to legal principles. Judges conduct their duties under a code of ethics, including: 1) Self-discipline; 2) Professional ethics; 3) Ethics to the organization; and 4) Ethics for people and society. Additionally, there are also principles regarding the prohibition of behavior such as 1). Abusing his position, authority to gain benefits for himself, his friends, his party or his relatives; 2). Forcing, threatening, using rights, performing duties beyond the scope or violating the procedure of proceedings; 3). Bias or side-stepping that leads to an unfair decision or trial; 4). Disclosure of secrets before judgment or trial; 5). Asking, demanding, giving or accepting bribes and other behaviors that are against ethics and morals.

However, in terms of personnel capacity development, electronic systems and implementation mechanisms compared to the current situation are not yet sufficient and comprehensive as they should be. Moreover, limitations in the quality of investigations and prosecutions related to money laundering cases, as outlined in sections 3.3.6-3.3.7 above, are a factor that still hinders the quality of judgments and case rulings associated with money laundering cases from being as robust as they should be.

3.3.9. Quality Of Asset Forfeiture Framework

The Quality of Asset Forfeiture Framework is rated as **Medium-Low** level because the Lao PDR has a comprehensive legal framework that is considered to be structured in property laundering (laws, procedures and officials) and a comprehensive mechanism for freezing, seizing and confiscating assets that are suitable for halting movement and seizing income and assets related to criminal activities. This includes laws specifically used to anti-money laundering, such as the Law on AML/CFT, which provides the following provisions: 1). Proceeds and financial instruments of money laundering and confirmed offenses, 2). Profits derived from such criminal actions, 3). Assets of equivalent value in the possession of a criminal or a third party, obtained directly or indirectly from the initial crime, whether in money or other assets, fully or partially transformed into other assets, including the returns from investments. Authorities have the right to seize or freeze assets, including assets of equivalent value, in case of detection, discovery or suspicion of money laundering. Additionally, with sufficient evidence regarding funds related to predicate offense, money laundering, and involvement in such crimes, the People's Court must rule for confiscation, which includes:

1. Funds resulting from the predicate offense, including assets obtained through investment or exchange, or assets of equivalent value to the aforementioned funds and movements;
2. Funds used or intended to be used in criminal activities;
3. Fund or other benefits that derived from criminal funds;
4. Financial instruments related to criminal activities;
5. Funds, as stipulated in points 1 to 4, that have been transferred or assigned to any individual or third party.

The application of measures to seize or confiscate property must be carried out correctly as stipulated in the Law on Criminal Proceedings and other related laws of the Lao PDR as well as guaranteeing the rights and legitimate interests of third parties and not having consequences for the regular operation of the financial-monetary system. For other intermediate variables, as the evaluation committee explained the analysis results among the intermediate variables mentioned above.

However, due to limitations in the quality of investigation, prosecution, and adjudication in money laundering cases, as discussed in variables 3.3.6, 3.3.7, and 3.3.8 above, the quality of the procedures for seizing, freezing, and confiscating assets related to money laundering has yet to reach an optimal level.

3.3.10. Overall Sectoral Money Laundering Vulnerability

The Overall Sectoral Money Laundering Vulnerability is rated as **Medium-High** level due to the review and re-assessment of the 2nd NRA. Overall Sectoral Money Laundering Vulnerability has been assessed in 05 sectors namely: 1). The Casino sector is at **High** risk; 2). The Banking sector is at a **Medium-High** level of risk; 3). The Real Estate sector is **Medium-High** risk; 4). The VAs/VASPs sector is **Medium** risk and 5). The Legal Person and Legal Arrangements are at a **Medium-Low** level of risk, which details the results of the assessment of each module summarized in Chapture VI (clauses 6.1, 6.2, 6.3), VII and VIII of this report.

3.3.11. National ML Combating Ability

The National ML Combating Ability is rated as **Medium** level because Lao PDR has comprehensive and complete legislations. It is one of the members of the APG in 2007. The government has made a commitment to fulfill its obligations as a member country, especially to comply with the 40 Recommendations of the FATF and receive a comprehensive evaluation from time to time. Additionally, the country has developed and updated over 50 domestic laws to align with international principles and standards.

The Lao government is in charge of AML/CFT in a centralized and unified manner throughout the country by assigning the NCC to be directly responsible and coordinating with government agencies both at the central and local levels across the country to manage and monitor these activities, with the AMLIO serving as the secretariat. The NCC carries out its rights and duties as stipulated in the AML/CFT Law, such as researching, creating policies, laws, strategic plans and regulations, implementing policies, laws, strategic plans and regulations related to the country's work.

Legislations have a definition, action and form of money laundering, including the form of money laundering itself which is made into a specific law, considered as a separate offense and an offense that occurs together with the predicate offense as stipulated in Article 9 of the Law on AML/CFT (revised version).

Article 9. "Money laundering is a conversion, use, movement, exchange, acquisition, possession, genuine ownership transfer of funds by natural person, legal person or organization domestically or internationally knowing or suspecting that such funds are the proceeds of predicate offences to conceal or disguise their characteristics, origin of funds, or location of properties.

Acts of money laundering are as follow:

1. Conversion or transfer of funds with an intention to conceal or disguise the illegal origin of the funds including aid and abet offenders of predicate crimes to avoid the legal consequences of their actions;
2. Concealing or disguising origin, source, location of funds, transfer, possession, movement, or rights with respect to, or ownership of funds knowing that such funds are the proceeds of predicate offences;
3. Acquisition, possession, use of funds derived from predicate offences such as (but not limited to) illicit lending of such money or properties, use of such money or properties in a direct investment knowing that such funds are the proceeds of predicate offences;
4. It is also an offence to participate in planning, helping, implementing, aiding, abetting, facilitating, conspiracy or counselling the commission, including attempting to commit a crime as defined in clauses 1, 2 and 3 above mentioned.

In addition to the above, money laundering is demonstrated as follow:

1. Acknowledgement with intent with regards to offences leading to a money laundering;
2. An event or evidence that proves the funds or properties are derived from the predicate offences without the necessity for a court ruling."

Additionally, or forms of money laundering (**Article 10**).

"There are 4 forms of money laundering as follows:

1. Self-money laundering refers to the act where an individual or entity engages in laundering the proceeds of their own criminal activity.
2. Third party Money laundering is money laundering by a person or legal entity who was not involved in the commission of the predicate offence.
3. Standalone Money laundering is prosecuting money laundering offense without predicate offences or money laundering without incident or proof of the original offense;
4. Money laundering with the predicate offences in abroad is money laundering in Lao PDR with the predicate offense occurring outside the territory of the Lao PDR.”

At the same time, there are many deterrent punishments for money laundering offenses such as warnings, education, discipline actions, fines, compensation for civil damages that have been incurred or have been criminally punished according to the law, which has specific legislation that defines the principles for applying administrative measures and criminal measures.

However, due to limitations in the quality of investigation, prosecution, adjudication and asset forfeiture framework to money laundering cases, as explained in the analysis results in sections 3.3.6, 3.3.7, 3.3.8, and 3.3.9 above, the national ML combating ability has not yet reached the desired effectiveness compared to relevant legislative frameworks.

3.4. Summary of National ML Vulnerability Assessment

Through assessments, data collection, interviews, and information exchanges by the responsible committee and the evaluation team in relevant sectors, it was found that Laos’s national ML vulnerability, based on 11 Intermediate variables out of 22 key variables set by the World Bank’s evaluation guidelines and the results of five sectors vulnerable to money laundering concluded two main points: **1) The national ML vulnerability is at a Medium-High level, and 2) Overall Sectoral Money Laundering Vulnerability is rated as Medium-High level.** Because of Lao PDR has laws and legislation that are tools that are fairly oriented and in line with international standards. However, it is also seen that the legislation and the implementation mechanism of the related organizations are not yet strict enough and are not appropriate to the actual situation of socio-economic growth in the current period. Additionally, areas such as personnel, budget, technical equipment, and electronic systems have not yet received sufficient support, improvement, or development as needed to strengthen and effectively implement a robust anti-money laundering system for the country.

Table 3.5: Summary the results of National ML Vulnerability

Intermediate Variables	Level
1. Reliability of Financial Records/ Books	Medium
2. Quality of CDD Framework	Medium-Low
3. Accessibility to Reliable Info and Evidence	Medium
4. Quality of Customs Controls on Cash and Similar Instruments	Medium-Low
5. Quality of Cross-border Controls on Cash and Similar Instruments	Medium-Low

6. Quality of Criminal Investigation	Medium-Low
7. Quality of Criminal Prosecution	Medium-Low
8. Quality of Adjudication	Medium-Low
9. Quality of Asset Forfeiture Framework	Medium
10. Overall Sectoral ML Vulnerability: 1) Casinos: High; 2) Banks: Medium-High; 3) Real Estate: Medium-High; 4) VA/VASPs: Medium; 5) Legal Persons and Legal Arrangements: Medium-Low.	Medium-High
11. National ML Combating Ability	Medium
National ML Vulnerability	Medium-High
Overall Sectoral ML Vulnerability	Medium-High

Data source: 2024 NRA Outcomes.

IV. Tax Crime Risk Assessment

4.1. Overview

Tax revenue is the main income that is important to contribute to the socio-economic development of the country enabling the nation's continuous growth, improving the collection of tax revenue is a priority task of the government as well as the Ministry of Finance that must pay attention to improve the management of revenue collection to grow and strengthen, aiming to ensure that tax revenue collection is achieved as expected across the country.

The main purpose of tax crime risk assessment is to identify, analyze, assess and reduce the risk of tax violation, tax crimes and money laundering, which will include: 1) tax crime threat to determine the threat of tax regulation violation, 2) money laundering threat through tax crimes, and 3) tax vulnerability of legislations and implementation mechanisms, and preventive measures of such problems. Also, to determine the threat of tax crimes and money laundering and create an understanding of those threats, especially in the area of tax regulation violations, the trend of tax violations that are a priority threat and the risk leading to money laundering. The results obtained can be used as information for determining policies and improving information in the country very well.

4.2. Conducting the Risk Assessment

The principle of tax crimes assessment is based on the procedures and mechanisms of the risk assessment manual (Methodology) of the FATF using the tax crimes assessment tool developed by the World Bank, which has been thoroughly considered and analyzed by the sub-committee regarding the information that can be collected from the relevant parties, such as: events, cases or behaviors that have actually occurred and then compared to the capacity to prevent such problems, that is the existing legislation. In addition, also considered the trends and other elements that may occur in the future, how they are more or less likely by considering the data of the actual implementation, the number of tax revenue collection obligations in the

period of 2018-2022, internal and external information exchange, and opened-source data to help the assessment results to be reliable and in line with the actual risk.

- In the threat assessment, the data on the size of the proportion of 04 types of tax is considered:
 - 1) Personal Income Tax (PIT);
 - 2) Corporate Income Tax (CIT);
 - 3) Value-Added Tax (VAT);
 - 4) Payroll Tax.
- In the assessment of the legislation and mechanism vulnerability, data will be collected from the legal framework, training figures and non-compliance statistics, to assess the vulnerability of principles and mechanisms of the implementation of tax work by separating into 09 areas:
 - 1) Non-Registration;
 - 2) Inaccurate Record-Keeping
 - 3) Falsehood and Obstruction
 - 4) Non-filing
 - 5) Under-Reporting
 - 6) Non-Payment
 - 7) Transfer Pricing
 - 8) Fraudulent Schemes
 - 9) Offshore Schemes

In the vulnerability assessment, data will be collected from the legislation and training figures, measures taken, which have a total of 18 factors¹ of the Cross-Functional Rada.

4.3. Assessment Results

There are 3 aspects: 1). Tax crime threat assessment, 2). ML threat through tax crimes and 3). Tax vulnerability assessment, the results of which are as follows:

4.3.1. Tax Crime Threat Assessment

In the assessment, the data on the proportion of 04 types of taxes is considered: 1) Personal Income Tax (PIT)², 2) Corporate Income Tax (CIT)³, 3) Value-Added Tax (VAT)⁴, and 4) Payroll Tax⁵ compared to total income and compared to actual numerical data such as the number of case proceedings and penalties, information exchange with relevant sectors and

¹ 1) Residence Taxation, 2) Source Taxation, 3) SMEs Small & Medium-sized Enterprises, 4) MNEs Multinational Enterprises, 5) Self-Employed Individuals, 6) HNWI High-Net Worth Individuals, 7) Personal Income Tax, 8) Corporate Income Tax, 9) Payroll Tax, 10) Consumption Taxes, 11) Withholding Tax, 12) Control and Monitoring, 13) Intelligence and Risk, 14) Audit and Investigation, 15) Enforcement and Penalties, 16) Exchange of Information, 17) Inter-Agency Cooperation, 18) Automation.

² Personal Income Tax (PIT) refers to a tax collected from individuals and organizations that do not conduct business and earn income in the Lao PDR or abroad.

³ Corporate Income Tax (CIT) refers to a tax collected from the net profit of the enterprise, including independent professionals who conduct business domestically and/or abroad.

⁴ Value-Added Tax (VAT) refers to a tax collected according to the value of goods and services that increases from the importation of goods, supply of goods and services within the country, which the final consumers are payers.

⁵ Payroll Tax is under Personal Income Tax.

countries with double tax treaties, especially countries with a border with the Lao PDR (hereinafter referred to as “Known Risk”), reliable open data sources, including information on the number of tax regulation violations (incidence) and the value of violations (proceeds) and the balance of experts/tax officials (hereinafter referred to as “Perceived Risk”).

Remark: This tax crime threat assessment, in the Personal Income Tax category has already covered Payroll Tax because the tax collection and reporting system of the Lao PDR does not separate the specific Payroll Tax category, therefore Personal Income Tax that already covers Payroll Tax.

1) Threat of Personal Income Tax (PIT)

The results of the assessment show that the violation of income tax obligations of the individual has a PIT (Known) at a **very low** level based on the actual numerical data of the case proceedings and the penalty related to the income tax is seen to be at a **very low** level. However, the actual PIT (Perceived) shows that the violation of the individual’s income tax obligations is at a **low** level if compared to the PIT (Known) that is at a higher level because the actual implementation of the tax authorities find that there are other external factors, such as: although the law requires that individuals with income must declare their annual income according to the Income Tax Law No. 67 dated June 18, 2019, Article 51 Annual Tax Calculation. But in actual practice, it can be seen that individuals in general have not implemented substantially because the request for a Preparer Tax Identification Number (PTIN) has just started to be implemented in 2022, which the dissemination on PTIN usage has not been widespread and the request for taxpayer numbers is not much compared to the actual population. Additionally, the PIT (Known) is at a **very low** level because the number of income tax violations are small (that the figures are in depth only for income tax from salary). The reason is because in the Law on Payroll Income Tax of Individuals, legal entities are responsible for calculating, collecting and reporting-giving, making the result of the PIT (Known) being at a **very low** level.

2) Threat of Corporate Income Tax (CIT)

The results of the assessment show that the violation of Corporate Income Tax obligations has a CIT (Known) being at a **low** level based on the actual case proceedings and the penalty related to the Corporate Income Tax is seen to be at a **low** level. The actual CIT (Perceived) shows that the violation of Corporate Income Tax obligations is at a **medium-low** level compared to the CIT (Known), because there is no legislation that is a tool to manage large business groups (Multinational enterprises “MNEs”), such as Transfer Pricing “TP”. As for the assessment of inspection indicators, even though there are tools and legislation that is a basis of the inspection, but because they are new tools with many aspects that are challenging, such as: in terms of the internal information and external information are not connected, in terms of people is still not strong, the understanding of the operators in reporting is still not correct. In addition, another risk that can be seen is that the import-export information when compared between the document on numbers, the document of the taxpayers and the tax information there will be incorrect numbers that still do not match, the reporting of the products’ prices when imported are still low compare to the world market prices. In addition, the practice of exchanging information with countries that have a treaty is still not substantial,

the presentation of the information is On Request and not in the automatic model. Double taxation treaties with countries are also limited in number.

3) Threat of Value-Added Tax (VAT)/GST

The assessment results above show that the violation of VAT obligations has a VAT (Known) at a **medium-low** level based on the actual case proceedings and the penalty related to VAT violations is seen to be at a **medium-low** level. However, the actual VAT (Perceived) shows that the violation of VAT obligations is at a **medium** level if compared to the VAT (Known) because the comparison with the information perceived from the open-source is seen as higher risk; the exchange of information between relevant parties is still limited; the VAT Law also establishes many exceptions which are gaps, the use of electronic invoices has not yet been widely implemented (some still use paper ones); the understanding of business operators in reporting and giving VAT is still not correct and consistent as the law determines. In addition, another risk that can be seen is that the price of goods when imported is still low compared to the world market price, the VAT invoice is still low and does not correspond to the actual price, the import-export information when compared between the document on numbers, the tax payer's document and the tax information there will be incorrect numbers and many still do not match.

In conclusion, it is seen that the VAT is the main contribution of total income in the proportion of 49%, followed by the CIT at 33% and the PIT at 18%. The results of the above assessment show that the threat for tax crimes is VAT violations, which is seen as a risk at a higher level (Medium level) compared to the three types of taxes.

4.3.2. Assessment of the Money Laundering Threat Through Tax Crimes

Although the legal framework has defined measures for tax violations and to carry out criminal penalties. In practice, administrative measures are used such as fines, temporary suspensions, which leads to no number of criminal proceedings and statistics of predicate offenses from a tax regulation violation that causes money laundering, thus making the Lao PDR unable to assess the money laundering threat through tax crimes as mentioned.

4.3.3. Assessment of Tax Vulnerability

- Relevant Legislations

The Lao PDR has legislations to prevent tax crimes that are against violations of legislative regulations and money laundering that are in line with the international standards of more than 10 editions, as detailed below:

1. Penal Code, No. 26/NA, dated 17 May 2017;
2. Law on Anti-Money Laundering and Counter-Financing of Terrorism (Amended Version), No. 64/NA, dated 01 July 2024;
3. Law on Tax Administration, No. 66/NA, dated 17 June 2019;
4. Law on Income Tax, No. 67/NA, dated 18 June 2019;
5. Law on Consumption Tax, No. 68/NA, dated 19 June 2019;
6. Law on Value-Added Tax, No. 48/NA, dated 20 June 2018;

7. Law on Improvement to Some Articles of Laws regarding Taxes, No. 01/NA, dated 07 August 2021;
8. Instruction on Implementation of Income Tax Law, No. 0819/MoF, dated 10 February 2021;
9. Instruction on Implementation of Value-Added Tax Law, No. 1939/MoF, dated 12 April 2021;
10. Instruction on Implementation of Consumption Tax Law, No. 0394/MoF, dated 04 February 2022.

Through scoring, it is seen that, as for the implementation of tax work there is a basic legislation in line with international standards that is fairly oriented, so that the implementation of tax work can be implemented well at a level, which show the results of the vulnerability assessment at a **medium** level (average scores above the medium level).

- Inter-Agency Cooperation, the average of 09 areas, is at a **very high** level, which is considered to be well implemented because the request for cooperation is defined in an overall legal framework and there is mutual information exchange between internal units to support tax work. However, automatic exchange is still limited, can only be implemented in some sectors, and cannot be implemented internationally.
- The results of the vulnerability assessment for transfer pricing (TP) does show that the performance is not good because the Lao PDR does not have legislation to manage this work.
- Law Enforcement and Penalties see that there is a good mechanism to protect the usage of laws and penalties (at a **medium** level) because the legal framework has determined measures for tax violations to carry out criminal penalties. However, the statistics of non-compliance with the transfer pricing regulations and reporting are low, which is considered to be not implemented well by taxpayers, possibly due to the understanding of taxpayers, dissemination is not been widespread and the need to hide income. Apart from this, in actual practice, administrative measures are used such as fines, temporary suspensions, resulting in no criminal proceedings and statistics of predicate offenses from tax regulation violations.
- Value-Added Tax (Consumption Taxes/VAT) does see that the registration of legal entities with income exceeding LAK 400 million is required to correctly register in the VAT system (at 94.67% level). However, the result of the analysis of Under Reporting of VAT reporting is at a medium level (60.72%) which shows that even though there are many registrations, but VAT reporting is not correct, there is the hiding of income, such as by reporting lower than the actual value, reporting zero and non-reporting.
- Corporate Income Tax see that the registration of legal entities is 100% registered. However, the result of the analysis of Under Reporting of CIT reporting is at a medium level (60.72%) which shows that even though there are many registrations, there is still incorrect CIT reporting and there is still the hiding of income.
- Personal Income Tax does show that the personal income tax registration is registered at the level of 50%, which is not as good as it should be. But the action of Under

Reporting is performed at the level of 50% due to there being the hiding of income, price and income information is also not correct with the market price and does not correspond to the actual income received.

- Payroll Tax indicates that registration is at the 100% level. However, the result of the analysis of Under Reporting of Payroll Tax reporting is at a medium level (90%) which shows that the Payroll Tax implementation is able to be implemented well with **low** risk because it is determined that the business unit is responsible for reporting-giving the payroll tax of employees who earn income under the mentioned legal entity in each month.
- As for the Exchange of Information assessment, it is able to be implemented but not as well as it should be and without any information to confirm (total average score of 9 areas is at a **medium** level of 0.51). Although the Lao PDR has duplicate treaties on the Exchange of Information with 14 countries, the number of agreements is considered to be small and relatively limited, which in the actual practice of information exchange, there is an exchange of specific information only through the On Request channel, which is very small.
- Audit and Investigation see that there is no information because the tax sector does not collect violated statistics in each detailed case. Also, there is no cases of criminal penalty measures implemented in the past due to the use of administrative measures (fines). Therefore, the result of the assessment of Audit and Investigation on the work of investigation after reporting cannot be shown.

4.3.4. Assessment Summary

The assessment of all three aspects found that the results of risk assessment and violation of tax regulations, tax crimes and money laundering are at a **Medium** level because Lao PDR has laws and legislation that are tools for collecting income that are fairly oriented and in line with international standards. However, it is also seen that the legislation governing the collection of obligations (such as: transfer pricing) is still not able to be implemented as well as it should be, the understanding of taxpayers towards the implementation of tax obligations is not good, the dissemination of legislation and implementation mechanisms are not yet widespread. In addition, in actual practice, administrative measures are used such as fines, temporary suspensions, resulting in no criminal proceedings and no statistics of predicate crimes from the violation of tax regulations.

V. Natural Resource and Environmental Offenses

5.1. Overview

The national assessment of natural resource and environmental offense is one of predicate offenses that may result from crimes, money or assets gained directly or indirectly. Assets have been transformed or changed in whole or in part into other assets that may be taken out or brought in for money laundering by using or through processes, loopholes, procedures and behaviors of natural resource and environmental offenses of individuals or groups of people who commit crimes or violate the law.

The purpose of the assessment of natural resource and environmental offenses is to identify, assess, understand and propose solutions. This review is based on 02 aspects of the risk, such as:

- Identify threats: behaviors of the offense related to natural resources and the environment that may result in money laundering from such behavior;
- Assess vulnerability of legislation and the mechanism for combatting, intercepting offenses related to natural resource and the environment;
- Formulate the priority action plan to strengthen the management of offenses related to natural resources and the environment and to reduce the vulnerability of money laundering in the natural resource and environmental sector.

5.2. Conducting the Assessment

The review and reassessment is carried out on the basis of analysis, research and evaluation from the existing database and actual statistics collected from relevant parties and sectors throughout the country to help identify 02 aspects of the risk, namely: **1).** Threats that may cause money laundering to occur and **2).** Vulnerability of the system that combats, intercepts such problems, where the assessment is taken into account the risks that occur within the country and from the surrounding countries and in the region.

Based on the assessment method, there are 05 behaviors that may be a threat, which include 1). Wildlife crimes; 2). Forestry crimes; 3). Fishery crimes; 4). Waste/pollution; 5). Extraction/mining Crimes, 6). Exploration, 7). Licensing Process for Extraction, 8). Extraction & Production, 9). Trade and Sales, and 10). Revenue collection.

As for vulnerability, there are 23 variables: 1). Risk Understanding, Coordination, and Data Collection, 2). Definition of ENV & NR Breaches and Crimes, 3). Administrative or Civil Sanctions, 4). Criminal Sanctions, 5). ENV & NR Crime Asset Recovery and Management, 6). Control of Corruption, 7). Domestic Cooperation, 8). Non Profit Organizations (NPOs), 9). International Cooperation, 10). Use of Experts, 11). Public Awareness and Private Sector Involvement, 12). Capacity of the Customs and Border Authorities, 13). Incentives and Protection for Reporting, 14). Effective Use of Information, 15). Capacity of Preventative Authorities, 16). STR Reporting, 17). Capacity of FIU, 18). Capacity of Criminal Law Enforcement, 19). Legal Protection for Prosecutors/Judges, 20). Beneficial Ownership & Directorship of Legal Entities, 21). Legal Protection for Law Enforcement and Customs, 22). Capacity of Prosecutors & Judiciary, 23). Sector Regulatory Governance, Management and Transparency.

The assessment model and method are divided into 2 questionnaire forms such as: 1) Threat summary form which summarizes numbers or statistics on administration sanctions (administrative fines), investigations, prosecutions, convictions, implementation of court rulings, seizing, freezing, confiscation, total value; and 2) Questionnaire form for vulnerability, which is an inquiry or interview about the perception, understanding, actual implementation mechanism and existing legislation on the system to combat the problems. In that, committees have been appointed to collect actual information at the local level including 7 Provinces (Champasack, Savannakhet, Khammouan, Bolikhamxay, Xiengkhouang, Laungnamtha and Bokeo). Another 10 Provinces have been sent the form for the relevant sector to summarize

and fill in the information and then send it back to the committee responsible for the relevant Department of each related Ministry.

5.3. Assessment Results

5.3.1. Results of the Risk Assessment for Natural Resource and Environmental Offenses

1) Wildlife Crimes

The mentioned behavior is an activity in the form of creating a transnational network that relies on the territory of the Lao PDR as a transit route for illegal transportation to the destination country or a third country, which during the data collection period there are statistics on case proceedings for wildlife offenses of 19 cases, accounting for 31.66% of EVN offenses with an average asset value of more than LAK 5,696,800,000 or the equivalent of USD 259,476.73. At the same time, 446 cases of a violation of administrative regulations were found and measures were taken, with an average asset value of more than LAK 8,237,500,000 or the equivalent of USD 375,177.

An overview of violations or behaviors related to hunting, buying, selling, possessing, importing-exporting and transporting wildlife in the Lao PDR is reported CITES Secretariat or relevant international organizations: Hunting in the Lao PDR is not hunting as the main occupation or in a large scales. Most is traditional hunting to help rural people make a living, sometimes putting them up for sale in the market and cannot be ordered for purchase as desired. The occupation of the villagers is farming and animal husbandry, if there is a free time from the production reason they go to the forest to look for animals for food, occasionally. Possession of prohibited wildlife: in the past, Lao people did not understand and were not aware of the law, so they brought such animals to be raised for pleasure (not for trade-sale). After the dissemination of the law for the public to understand and some people who have wildlife in their possession voluntarily bring the animals to the forest officials to be treated and released back into the wild. Regarding the import-export, there is none if any in the Lao PDR but most of them are cross-border transportation. Therefore, the crime threat assessment result is placed at a **Medium** level because the behavior is active in the form of a transnational network which can be changed from the predicate crime to an international money laundering network.

2) Forestry Crime

This behavior is an activity in the nature of movement at the local level with illegal harvesting, logging, transporting and trading from one area to another both domestically and internationally. During the data collection period, there are statistics on case proceedings of forestry offenses for 32 cases, accounting to 53.33% of EVN offenses with an average asset value of more than LAK 299,520,412,310 or the equivalent of USD 13,639,692.90. At the same time, there are 1,493 violated cases of administrative regulations found and measures were taken, with an average asset value of more than LAK 7,465,000,000 or the equivalent of USD 339,935.88. Therefore, the result of the threat assessment of such offenses is placed at a **Medium** level because such behavior is active in the form or nature of movement in the local area and the price or value of trading many types of wood is of high value so there may be a risk of money laundering from such behavior.

3) Fishery Crime

This behavior is an activity in the form of traditional fishing and is a small group of people along the river, creek, canal, pond in each local area. Through data collection, there are no statistics on such offenses. For this reason, the results of the assessment of such behavior is at a **Low** level of risk of being exploited for money laundering.

4) Waste/Pollution Crime

The behavior related to the waste/pollution that was detected all over the country according to the petition of the people and the collection of statistics, which the data collected was not found to be a criminal offense. There are only 170 cases of a violation of administrative regulations, with an average asset value of more than LAK 1,085,000,000 or the equivalent of USD 49,413.13. but because the problem that occurred is not serious (the person or legal entity who violated is aware, acknowledges the impact, is responsible for returning to the original condition and compensates for the damage that has occurred) it can be resolved through mediation and encouraging the project owner or operator to improve the environmental problem to normal conditions, there will be no punishment or fine. For this reason, the assessment of such behavior is at a **Medium** level of risk of being exploited for money laundering.

5) Extraction and Mining Crime

Such behavior that occurred in the country according to the petition made by people, there are statistics on case proceedings of 09 cases, accounting to 15% of EVN offenses with an average asset value of more than LAK 405,000,000 or the equivalent of USD 18,446.93. At the same time, there are 128 cases of a violation of administrative regulations with an average asset value of more than LAK 643,000,000 or the equivalent of USD 29,149.73. Since the occurred crimes are not serious, it can be resolved by mediation, encouraging the project owner or operator to improve and solve the problem caused by exploration and mining. There will be no punishment or fine, just a warning. For this reason, the assessment of extraction and mining crime is at a **Medium** level of risk of being exploited for money laundering.

6) Mineral Exploration Crime

The assessment result found that the majority of offense occurs in the way of illegal activities. Through data collection, no criminal offense is found, only 54 cases of a violation of an administrative regulation with an average asset value of more than LAK 4,050,000,000 or the equivalent of USD 184,443.43. Since the occurred crimes were not serious, and can be resolved by mediation, encouraging the project owner or operator to improve and solve the problem caused by exploration and mining. There will be no punishment and fine, just a warning. In the future, there will not be severe violations of laws, contracts and agreements. For this reason, the mining behavior assessment is at a **Medium** level of risk of being exploited for money laundering.

7) Licensing Process for Extraction Crimes

Through the collection of data, no misconduct or violation of administrative regulations was found, which reflects that most licenses are issued according to the conditions and

standards set by the government. Apart from this, most of the violations are in the actual mining process which happens after the actual license is issued. For this reason, licensing process for extraction crime is at a **Medium** level of risk of being exploited for money laundering.

8) Extraction and Production Crimes

In the past, data collection did not find any statistics of violations related to extraction and mineral production in the country. In which the offenses are only violations of regulations and implementation of administrative measures in the total of 28 cases with an average asset value of more than LAK 140,000,000 or the equivalent of USD 6,377.79. However, the problems that occurred are not serious and can be resolved by mediation, encouraging the project owner or operator to improve and solve the problem caused by those incidents, so that there is no statistics of penalties and fines, just a warning. As a result, the assessment of extraction and mineral production crime is at a **Medium** level of risk of being exploited for money laundering.

9) Mineral Trade and Sales Crimes

Through the collection of trade and sales statistics in the mining sector, no offenses or violations of administrative regulations were found because the projects that came to invest in the Lao PDR were foreign projects in the mining sector. Therefore, for the purchase and sales of such mineral products, the government has regulations governing the importation and exportation of each type of mineral before it is exported abroad. In addition, most of the exploration or mining concession projects already have joint purchase and sale agreements. For this reason, crimes related to mineral trade and sales crimes are at a **Low** level of risk of being exploited for money laundering.

10) Collection of Mineral Revenue Crimes

Through the collection of statistics on mineral revenue collection, no offenses or violations of administrative regulations were found. Due to the collection of revenue in the mining sector for projects that come to invest in the Lao PDR, there are concession contracts of exploration, survey, mining and processing contracts. In the case of exporting minerals to foreign countries, royalty on mineral resources and mineral tax (Profit Tax) must be paid before it can be moved and sold. In which after such export or sale, when such legal entity receives payment, which becomes income taxable that such legal entity has to pay as stipulated in 1) Tax Law, Revised Version, No. 70/NA, dated 15 December 2015, and 2) Income Tax Law No. 67/NA, dated 18 June 2019. In addition, in the past there has not been any violations regarding the collection of such revenue. Therefore, the threat assessment of such offense result is placed at a Medium level.

As a result, the threats of natural resource and environmental offenses is at a **Medium** level of risk of being exploited for money laundering.

5.3.2. Vulnerability Assessment Results of Natural Resource and Environmental Offenses of the Country

- 1) The Effectiveness of Reporting and Whistle Blowing is at a **Medium-Low** level. This is due to the Lao PDR has increased the implementation of laws with a focus on strengthening awareness and understanding of the mechanism to combat natural resource and environmental offenses at the central and local level in the form of dissemination, public relations and the participation of all parties in the country to be a network for informing or reporting information about violations of laws and regulations to specific responsible units to carry out, combat and interception of violation behavior in accordance with the situation.

For criminal proceedings, organizations and those who prosecuted criminal cases (including reporting/information giving) are protected according to law (according to Article 7 of the Law on Criminal Proceedings) from revenge, threats to life, health, freedom, honor, common or family property. In addition, all behavior of individuals or other organizations such as coercion, threats, slander and gossip which harms organizations and those who prosecuted criminal cases, will be punished according to the law.

- 2) The Effectiveness of the Anti-Money Laundering Intelligence Office (AMLIO) is at a **Medium** level. This is because the Lao PDR has legislation and mechanisms to manage reporting entities and NPOs to effectively implement the AML/CFT work. However, in the past, AMLIO has not found and has not received any transaction reports related to criminal activities related to criminal activities associated with natural resources and the environment. In addition, the participation of various related units from the public sector, private sector, and NPOs has not been as good as it should be in providing useful information to support the detection of crimes and money laundering from crimes in this sector. In the past, although AMLIO and international organizations have disseminated, trained and raised awareness on the issue, but they have not been wide spread and oriented and there is no specific manual form the relevant parties to detect such crimes.

- 3) The Quality of Intelligence is at a **Medium** level because the Lao PDR uses mechanisms to manage NPOs to be strong and use effective information to monitor and investigate crimes that may occur in NPOs for the number of 30 NPOs that are active in related activities. The Ministry of Home Affairs and the Ministry of Foreign Affairs as the governing body have joined with NPOs in raising awareness, advertising to the society and engaging with the local community to promote sustainable environmental conservation. In addition, there is training and capacity building for the relevant middle-high level and local staff in monitoring and evaluation, sharing regional and international lessons.

At the same time, the authorities of the investigation agency have used the report of the financial intelligence received from AMLIO in the investigation, in order to track the financial traces of such offenses. There is an exchange of information with foreign partners through the mechanism of being a member of a group of the unit.

Table 5.1: FIRs disseminated to investigation agencies.

No	Organizations	2018	2019	2020
1	Ministry of Agriculture and Forestry	2	2	1
2	Ministry of Finance	1	2	2
Total		3	4	3

Data source: AMLIO, 2024

- 4) The Capacity of Designated Authority is at a **Medium** level because the authorities who organized the actual implementation of the Lao PDR in the country have a good understanding of the risk, the mechanism of how to counter and use administrative or criminal measures against the offenders. There is a coordination and collection of information about offenses related to natural resources and the environment, both domestically and abroad, in this work, such as the Coordination Committee for Law Enforcement in Combating and Intercepting the Trade in Aquatic Animals-Wildlife and Prohibited Plants (LAO-WEN) and CITES Committee to monitor the number of prohibited animals and plants for international reporting. Also, the Lao PDR has legislation and strategies to combat such crimes. However, the Lao PDR is facing a threat from wildlife trafficking which is a transnational movement using Laos's territory as a transit to the destination country.

During the period from 2018-2022, there are 10 cases of corruption and the average value of assets is LAK 130 billion or the equivalent of USD 7.5 million, in which there are no corruption offenses related to natural resources and the environment.

In terms of regulatory management, administration and transparency of the licensing sector/participation in the market and beneficial owners in the past regarding the implementation mechanism, it is seen that in the process of researching the issuance of enterprise registration by the Ministry of Industry and Commerce, there is a clear legal framework, there is an inspection for license applicants and the use or exchange of criminal history information from investigative agencies and People's Courts as determined in the legislation related to enterprise registration. If there are no complete conditions and standards, no business registration will be issued. However, if a business license has been obtained, those who intend to do the business in the field of natural resources and the environment will still need to apply for a business license from the relevant ministry according to the conditions and standards set by the relevant ministry.

- 5) Integrity and Independence of Prosecutors and Judiciary is at a **High** level because the Lao PDR has control over corruption by issuing legislation prohibiting those in positions of authority from engaging in corrupt behavior in the People's Prosecutor's Office and the People's Court. There are anti-corruption mechanisms in various sectors, especially the natural resources and environmental sector, detailed as below:

- The Lao PDR became a party to the United Nations Convention Against Corruption (UNCAC) in 2003;

- Promulgated the Anti-Corruption Law. In the said law, it is determined that government employees must declare their assets and the national operating mechanism was established at the central and local level by establishing the State Inspection Agency as a unit to investigate corruption and create a national strategy to combat corruption in the country;
 - The Supreme People's Prosecutor's Office and the Supreme People's Court have created a special Internal Inspection Department to perform the role of inspecting the performance of duties of their related departments;
 - At the same time, there is a legal framework from management and protection that is specified in the law on criminal proceedings, the protection of investigative officers, people's prosecutors and the Supreme People's Court related to natural resources and the environment by the relevant officials will be protected, such as: in criminal proceedings, organizations and criminal prosecutors are protected according to the law from revenge, threats to life, health, freedom, honor, common or family property, will be punished according to the law.
- 6) Effectiveness of Sanctions is at a **Medium** level because the Lao PDR has a legal framework on civil or administrative penalties and criminal penalties in related legislation such as: 1). Penal Code of 2017, 2). Law on Environmental Protection (Revised Version) No. 29/NA, dated 18 December 2022, 3). Law on the Amendment of Certain Articles of the Law on Water and Water Resources No. 21/NA, dated 7 July 2022, 4). Law on Wildlife (Revised Version) No. 098/Gov, dated 30 August 2023, 5). Decree on the management of international trade in endangered aquatic animals-wildlife and wild plants No. 299/Gov, dated 5 June 2024, 6). Decree on fines and other measures against violators of forestry laws and regulations No. 365/Gov, dated 21 August 2024, and 7). Decree on fines and the imposition of other measures against violators of laws and regulations on minerals No. 373, dated 1 December 2023, which sets the penalties for each aspect as follows:
- For civil or administrative violations, measures are: education and training; warning, disciplinary action (suspension, removal, withdrawal, postponing consideration of position); administrative fines and compensation of damages.
 - For criminal violations and penalties: 1). For legal entities: fines, cancellation of business, prohibition of certain types of business, prohibition of raising funds, prohibition of using checks or credit cards, seizure of property or restoration. 2). For individuals: criminal punishment for behavior related to natural resource and environmental offenses is imprisonment between 3 months to 6 years and a criminal fine of LAK 3 million to LAK 500 million.
- 7) Integrity and Independence of Law Enforcement and Customs is at a **High** level because the Lao PDR has established the State Inspection Authority (SIA) that plays a role in combating and preventing corruption in the country at the central level and determines the establishment of an internal inspection department in each ministry of state organization and an inspection department in each province that performs inspections at the local level, including the ministry of state organization that works to combat and prevent crimes related

to natural resources and the environment and tax officials (both at the central and local levels). However, based on the threat assessment results mentioned above, there are no statistics on corruption case proceedings related to actions associated with natural resources and the environment.

- 8) The Quality of Strategy and Action Plan is at a **Medium-High** level because the Lao PDR has legislation and strategies to combat and prevent crimes against natural resources and the environment, there is the LAO-WEN Committee and the CITES Committee to monitor the number of prohibited animals and plants for international reporting. In addition, the authorities have a good understanding of the risks, countermeasures, and the use of administrative or criminal measures against the offenders. There is also a cooperation mechanism between NPOs and the public sector to solve the problem in the Lao PDR through awareness raising and education, community outreach, support programs in training and exchanging lessons and sharing knowledge.

At the same time, raising and increasing solutions to complex problems from time to time, increasing the encouragement for local communities to participate in the monitoring and reporting of environmental crimes to help identify illegal activities and raise awareness for the people to be responsible for, especially internal cooperation, mechanisms between government organizations in providing information, etc., especially at the local level, it has been disseminated in a wide public relations manner and emphasizes the participation or obligation of the public and private sectors that have a relevant role to create a mechanism that is a network to inform or report information about violations of the law by individuals, groups of people, legal entities or entrepreneurs and government officials to the units that are specifically responsible for combating and suppressing the violation behavior in accordance with the situation.

- 9) Effectiveness of Legal Framework for ENV & NR Violations is at a **Medium-High** level because the Lao PDR has a definition and criminal punishment for natural resource and environmental offenses based on its membership in CITES, a party to various convention such as Basel, Rotterdam, and Stockholm, which determines offenses related to natural resources and the environment in the Penal Code Part II, Chapter 9, Articles 326-353 and determines joint offenses related to natural resources and environment a criminal offense as defined in Article 26 of the Penal Code. In addition, there are a number of specific legislations that determine the definition, prevention mechanism and the determination of punishment for such criminal offenses as stated in Clause 6 in Clause 5.3.2.

Also, in the Penal Code of 2017, it has determined about “confiscation of assets punishment” and “confiscation of objects punishment” (Article 52 and 53) and there are some legislation under the law that can be detained, seized and frozen according to the legislation listed in 1). The Law on the Implementation of Court Decisions, Revised Version No. 12/NA, dated 17 November 2021; 2). Decree on the Property Seized and Confiscated by the State No. 280/Gov, dated 09/08/2022; and 3). Instructions of the Minister of Justice on Financial Affairs, Confiscation and Handing Over of Assets in the Implementation of the Court Decision No. 446/MoJ, dated 04/05/2009. However, as for the channel of recovery and management of assets related to natural resource and

environmental crimes, the request/proposal for mutual assistance between countries to recover assets through a mechanism or network that the Lao PDR is a member of the South East Asia Justice Network (SEA Just), Egmont Group and the Asset Recovery Interagency Network – ASIA PASIFIC (ARIN-AP). In addition, there is also the legislative framework determined in the Law on International Criminal Cooperation No. 88/NA, dated 12 November 2020. As for anti-corruption, it is described in Clause 5 in Clause 5.3.2.

- 10) The Effectiveness of Customs and Border Controls is at a **Medium-High** level because the Lao PDR has cooperation and coordination at the central and local levels to improve the customs and border control problems regularly; creates a quality information exchange mechanism through the LAO-WEN board (Ministry of Agriculture and Forestry, Supreme People's Prosecutor's Office, Ministry of Public Security, Ministry of Science and Technology, Ministry of Finance, Ministry of Industry and Commerce and AMLIO).

The Ministry of Finance has issued a resolution for the establishment of a committee responsible for investigation and inspection of money laundering related to crimes under Resolution No. 09100/CD, dated 18 December 2019. Furthermore, the Tax Department, in collaboration with the Anti-Money Laundering Office, is working on the development of a reporting system for the transfer of cash, valuable goods, and personal financial tools, as well as the movement of individuals and legal entities across the border of Laos for the convenience and assurance of timely, safe, and efficient reporting of transactions. This implementation is based on the notification issued on 14th January 2020 (Resolution No. 00245/CD) regarding international tax-related activities within the country.

In addition, the Lao PDR has legal frameworks that align with national laws, as outlined in Article 9 of the Law, and enforcement measures through the implementation of international treaties, including Basel, Rotterdam, Stockholm, Minamata, Vienna, and the Kyoto Protocol, for controlling and protecting the environment, alongside the enforcement of tax-related laws regarding natural resources and the environment.

Collaboration with neighboring countries in the investigation and prosecution of cross-border crimes includes: illegal logging, smuggling, and the illegal trade of endangered wildlife and other related matters.

In addition, the customs duties also have a partnership (Customs-FIU Cooperation Handbook, Customs Enforcement Guidelines on AML/CFT, Risk Management Compendium) from the World Customs Organization in monitoring and inspecting modern equipment for detecting contraband at the airport, commonly known internationally as "Portable Backscatter X-ray" and equipment used for inspecting various materials, including precious metals, referred to as "XRF Analyzers." Customs duties have also been involved in implementing regulations to monitor foreign currency exchanges; tax regulations; AML/CFT; and have recommended measures for reporting cash, valuables, and financial instruments during entry and exit from Laos, with Decree No. 06/NCC, dated November 19, 2015, and the communication system linking the AMLIO with customs officials for reporting cross-border money laundering activities. Moreover, the customs duties have updated their manuals by including procedures for money laundering investigations within their guidelines, and have participated in international technical training from various international organizations such as the United Nations and other

bodies to fight drug trafficking and organized crime in Laos, and provide legal and technical support on an ongoing basis.

The United Nations Office for Drugs and Crime (UNODC) has provided assistance in developing capacity-building programs for customs investigators, including the implementation of a 3-year (2019-2021) action plan, which focuses on improving risk assessment methods at the national level such as money laundering investigation techniques, ensuring long-term implementation by creating investigation manuals for financial crimes, and organizing nationwide training programs to enhance knowledge in the proper implementation of such operations. As of now, the training program has been successfully completed twice, with over 100 participants.

The Institute for Legal Support and Technical Assistance (ILSTA) has been funded by Canada and Luxembourg for the provision of necessary printed materials and equipment (e.g., pamphlets, posters, banners) for use in national communication campaigns to raise awareness across the public, especially through the involvement of investigative bodies.

- 11) The Effectiveness of Preventative Law Enforcement is at a **High** level because the Law on Criminal Proceedings of the Lao PDR determines the protection of officials in Article 7: 1). In criminal proceedings, organizations and those conducting criminal proceedings are protected according to law from retaliation, threats to life, health, freedom, honor, common or family property; 2). All behavior of individuals or other organizations, such as coercion, threats, slander and gossip, which harms the organization and those conducting criminal proceedings will be punished according to law; 3). In criminal proceedings, citizens are protected for their life, health, honor or property and 4). All behavior of organizations and those conducting criminal proceedings such as beatings, torture, coercion and intimidation which harms citizens will be punished according to law.

- 12) The Effectiveness of Criminal Law Enforcement is at **High** levels because the Lao PDR has established leading committees and the Lao-WEN committee, which under the general framework mentioned, involves relevant departments meeting to provide consultations, exchange information, and carry out investigations in line with criminal procedures and proceedings at each stage. These include the following: officials of Investigating agencies such as forestry investigation, police, and customs agencies monitor cross-border movements of wildlife and related products.

Moreover, the main organization in the implementation of the mechanism, namely the Ministry of Agriculture and Forestry, issued an agreement on the appointment of a committee responsible for the investigation of money laundering along with the original offense No. 2109/DOFI, dated December 31, 2019; Agreement on the organization and operation of the Forest Inspection Department in 2022; Agreement on the inspection and prosecution of forests and forest resources. Training for officers on financial investigation techniques and implementation of environmental crime investigations along with financial investigations to be consistent with the new role. Also, the trend of money laundering that will occur from aquatic and wildlife crimes is determined in the action plan of the Ministry of Agriculture and Forestry for 2018-2025.

Furthermore, the results of the survey and interviews with the actual implementing officials across the country found that: the officials have a good understanding of the risks, the mechanism of how to counter and use administrative or criminal measures against the perpetrators. Through the implementation of a number of specific legislations that determine the definition and mechanism of how to prevent such problems, which legislation is specified in Clause 6 in Clause 5.3.2.

13) The Effectiveness of Prosecution and Judiciary is rated **High** level because the Lao PDR has a mechanism to enforce legislation related to prosecution, such as the Criminal Code and legislations that relevant organizations have used to combat and suppress the problem with verified statistics as stated in clause 5.3.1. In addition, the relevant ministry has improved and added roles in financial investigations, such as:

- The Ministry of Public Security has issued guidelines on the implementation of anti-money laundering and terrorist financing measures No. 2767/MOPS, dated December 16, 2019;
- The Department of Customs, Ministry of Finance issued an agreement on the appointment of a committee responsible for investigating money laundering along with the original offense No. 09100/CD, dated November 18, 2019;
- The Department of Forest Inspection, Ministry of Agriculture and Forestry issued an agreement on the appointment of a committee responsible for the investigation of money laundering along with the original offense No. 2109/DOFI, dated December 31, 2019.

14) The ENV & NR Crime Money Laundering Combatting Ability is at a **Medium-high** level, due to the fact that the people's prosecutors and judges of Lao PDR are actively working, have sufficient human resources, have the proper legal framework in place, receive regular training both domestically and internationally, and use the state's budget for implementing their activities according to the work plan, which includes the following points:

- The People's Prosecutor's Office is the state's monitoring agency, with the role of monitoring and inspecting the respect and implementation of laws by ministries, state agencies equivalent to ministries, Lao National Front, mass organizations, social organizations, local government agencies, enterprises, citizens in order to be accurate, uniform, and to prosecute those accused of committing crimes against natural resources and the environment in court.
- The People's Court is a judicial body, with the role of conducting hearings, adjudicating cases including cases related to natural resources and the environment. Aiming to educate citizens, protect the legitimate rights and interests of citizens, ensure justice, peace and order in society, strengthen legislation, eliminate and prevent law violations. In hearing and adjudicating cases, the court is independent and strictly follows the law.

5.3.3. Summary of the Assessment Results

Through assessments in all three areas, it was observed that the results of the threats and vulnerability assessment regarding natural resources and the environment are at a **Medium-High** level. This is due to the fact that Lao PDR has laws and legal frameworks that are appropriately implemented and aligned with international standards for revenue collection. However, it is also noted that these legal frameworks and the mechanisms for implementing related organizational tasks are still insufficient, imprecise and not fully adapted to the country's socioeconomic development. Additionally, in practical terms, administrative measures such as fines, restitution, or civil compensation are being used instead of criminal prosecutions. As a result, there is no data on criminal cases or statistics related to primary offenses, including money laundering connected to natural resources and environmental violations.

VI. Sectors at Risk

The Lao PDR conducts a review and re-evaluates the risk assessment of 03 priority sectors that are at risk of money laundering as follows:

6.1. Casino Sector

6.1.1. Overview

The National Risk Assessment on Money Laundering of the casino sector is implemented in accordance with the 40 Recommendations of the Financial Action Task Force (FATF). The purpose of the casino assessment is to identify the overall risks in the sector, such as, in relation to the casino supervisory organizations as well as the arrangement of an action plan to address the priority risks and building strength in the supervision of anti-money laundering in the casino sector.

Currently, the Lao PDR has 04 casinos, namely: Savan Legen Resort Company Sole.LTD in Savannakhet Province, Lao-Sun Yu An Resort Development Company Limited (Dan Savan Nam Ngum Resort) in Vientiane Province, ST Vegas Company in Vientiane Capital and Dok-Ngew-Kham Entertainment Group Company Limited (Alusi) in Bokeo Province. The supervision of Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) in the past, the Anti-Money Laundering Intelligence Office, together with the Investment Promotion Department and the Special Economic Zone Management Office, Ministry of Planning and Investment conducted an annual inspection which examined the implementation of obligations as defined in the Law on Anti-Money Laundering and Counter Financing of Terrorism.

The government agency that currently supervised the casino is the direct responsibility of the Ministry of Finance according to the rights, duties and roles of the Prime Minister's Decree No 353/PM, dated 2 August 2024 and as for the relevant department responsible for the comprehensive casino supervision is the State Investment Enterprise and Insurance Management Department according to the Decision of the Minister of Finance on the Organization and Operation of the State Investment Enterprise and Insurance Management Department No. 2789/MoF, dated 2 August, 2024. In which the Ministry of Finance has the role of aide for the government in comprehensive supervision of casino work throughout the country, such as considering the creation and improvement of strategic plans, policies, laws

related to casino work, adopting regulations on casino work, adopting permission to establish or dissolve a casino in order to make the operation of such work smoothly, orderly, in accordance with the directions and policies of the Party, laws-regulations, and the socio-economic development plan of the government in each period. In which there are supervision tools to monitor the activity of the casino that is the Decree on the Supervision of the Casino business and legislation under the law such as the draft instructions of the Minister of Finance on the supervision and licensing of the casino business and other related regulations that are the basis for the management of such work.

The purpose of the casino sector assessment is to:

- Identify the overall vulnerability of the casino sector;
- Identify vulnerability and gaps in products, services and service channels;
- Create an implementation plan based on the priority to strengthen anti-money laundering control in the casino sector.

6.1.2. Conducting the Risk Assessment

1. Vulnerability Risk Assessment

The risk assessment in the casino sector is based on 12 variables related to anti-money laundering: Comprehensiveness of AML Legal Framework; Effectiveness of Supervision/Oversight Activities; Availability and Enforcement of Administrative Sanctions; Availability and Enforcement of Criminal Sanctions; Availability and Effectiveness of Entry Controls; Integrity of Business/Profession Staff; AML Knowledge of Business/Profession Staff; Effectiveness of Compliance Function (Organization); Effectiveness of Suspicious Activity Monitoring and Reporting; Availability and Access to Beneficial Ownership Information; Availability of Reliable Identification Infrastructure; Availability of Independent Information Sources. The scoring of each variable is based on the completeness of the legislative framework, internal regulations, actual implementation, knowledge-understanding and the implementation of administrative and criminal measures on anti-money laundering and counter financing of terrorism.

2. Products Vulnerability Assessment

The product risk assessment is based on 12 variables: Total size/volume of the business/profession; Client-base profile of the business/profession; Level of cash activity associated with the business/profession; Use of agents; Anonymous use of the product; Difficult to trace transactions (e.g., use of pooled client trust accounts; professional secrecy laws or ethics rules; attorney/client privilege; legal/professional privilege and work [document]/product privilege); ML typologies on the abuse of the business/profession; Use of the business/profession in fraud or tax evasion schemes; Non-face-to-face engagement of services and ongoing relationship; use of Junket Operator services; wire transfer.

6.1.3. Assessment Results

1. Vulnerability Risk Assessment

1) Quality of Anti-Money Laundering Control

The Lao PDR currently has a law on anti-money laundering and counter financing of terrorism and a number of legislations under the law as the supervision tools, but nevertheless for the supervision of anti-money laundering work, but in reality, there is under the process of establishment of the comprehensive mechanism and system, which requires the creation of additional legislations and a number of manuals as a detailed supervision tools and as a basis for the more effective implementation regarding their rights and obligations related to the anti-money laundering work in the casino sector. As a result, the assessment in this indicator is at a **Medium-Low** level.

2) Quality of Operations

In the past, applying for a casino business license is under the responsibility of the Ministry of Planning and Investment who issue a business license by consideration that is based on the law, related regulations, manuals and inspections of documents, information as a basis for reconsidering the issuance of a license each time, including checking the background and the source of capital of applicants, but not conducting an examination on the background on ML/FT.

AMLIO in cooperation with the mentioned ministry in monitoring and inspection, including training for casino compliance officer to knowledge their AML/CFT obligation. In addition, it also emphasized the confidentiality of reporting and measures against violators.

In addition, the criminal penalty is clearly defined in the Law on Anti-Money Laundering and Counter Financing of Terrorism. However, there were no criminal offenses in the casino sector. As a consequence, the result this particular area assessment is classified at **Medium-Low** level.

3) Quality of AML Supervision

Previously, the Anti-Money Laundering Intelligence Office together with the Investment Promotion Department and the Special Economic Zone Management Office of the Ministry of Planning and Investment conducted annually inspection, due to the sector is at high risk level, through document examination or onsite-inspections to check the implementation of obligations as defined in the Law on Anti-Money Laundering and Counter Financing of Terrorism including developing the inspection manual. currently, the anti-money laundering and counter financing of terrorism supervision and inspection falls under the Department of State Investment Enterprise and Insurance Management, Ministry of Finance.

In addition, through recently actual implementation, it is seen that there is no clear designated supervisor in casino sector, as a consequence, the personnel from the AMLIO has to perform this particular task in monitoring and inspection at this period therefore, this is considered as insufficient due to number of workloads.

The initialization of administrative measures is clearly defined in the Law on Anti-Money Laundering and Counter Financing of Terrorism and the Decision on administrative measures for reporting entities. Through the actual practice recently, administrative measures have been used such as warning notifications to casinos that do not comply with their

obligations. For this reason, it results in the assessment of this indicator was rated as a **Medium-Low** level.

4) Quality of Supervision and Procedures of AML

All 4 casinos have appointed compliant officer on anti-money laundering and counter-financing of terrorism, with a deputy director as the head of board. At the same time, some casinos have paid attention to the implementation of their obligations as defined in the Law on AML/CFT such as: creating regulations, providing training to employees, reporting suspicious transaction to AMLIO, and having technology systems in place for sanction list screening and etc. On the other hand, there are still some casinos that have not yet understood their obligations by not creating internal regulations on AML/CFT, not having training for employees, not having internal risk assessment, not having internal and external audits, and not having a screening system in place. As a result, the assessment in this indicator is rated as a **Medium-Low** level.

5) Quality of CDD Framework.

The AMLIO has issued Agreement on AML/CFT measures for REs to provide a basis for reporting entities to conduct KYC/CDD. In which the actual implementation of reporting entities, it is found, difficulties in verifying the accuracy of information, various identity documents, accessing the information of the beneficial ownership and infrastructure information as well as lack of independent and reliable information sources. Access to independent sources of information is still limited and the provision of information is delayed because the collection of data by relevant parties is still not systematic and complete. As a result, the assessment in this indicator is rated at a **Medium-Low** level.

6) Commitment and Leadership of Management

Recently, AMLIO has issued a number of sub-legislations as tools for supervision reporting entities, which provide in general that apply for all REs, but the actual implementation is still difficult and does not correspond to the actual implementation of each sector. Currently, based on Decision on Operation of Enterprise and Insurance Department, Ministry of Finance in 2024 which clearly defines the authority of State Investment as the management authority of the casino. The mentioned Department has prepared to adopt legislations that will help in managing the work of AML in the casino sector, such as: regulations on licensing procedures, inspection manuals, risk assessment manuals based on RBA risk management principles, Decision on Customer Due Diligence KYC/CDD and others. For this reason, it results in the assessment of this indicator at a **Medium** level.

7) Compliance Level of Staff

Only the managers and employees of the casino sector responsible for AML that knows and understand the impact on their risk, reputation, image and various measures related to anti-money laundering work.

While other employees, they have not gone through or receive any awareness raising or training as a consequence this area of work is considered as new for them. In addition,

accessing to information is limited and there are not many of the necessary documents for research and studies. As a result, the assessment of this indicator is at a **Medium-Low** level.

2. Product Vulnerability Assessment

For the product vulnerability assessment results based on variables, it is seen that table games are at **Medium-High** risk and slot machine/machine games are at **High** risk.

1) Through the collection of data on the provision of services for the production of table games, it is found that: The mentioned product has been popular from users at various levels and generating a significant amount of revolving money. Before using the service, the production of table games must involve a process of exchanging cash to chips each time, which is a crucial step that can effectively control and track the circulation of funds. For this reason, the production of table game products is classified as being at a **Medium-High** risk level.

2) Through the collection of data on the service of slot machine or machine games products, it is seen that: these products allow service users to use cash in direct play, which is a factor that causes the circulation of high volume of cash and there is an opportunity to abuse cash in other transactions that cannot be verified. For this reason, the vulnerability of the game console products are classified as **High** risk level.

3. Summary of Risk Assessment Results in the Casinos Sector

Through the national risk assessment of the casino sector regarding anti-money laundering and counter-financing of terrorism, it is seen that it is at a **High Risk** level. Because the implementation of the law on anti-money laundering and counter-financing of terrorism of the casino sector is not as good as it should be, for example, the board of directors and employees still do not understand their obligations regarding anti-money laundering and counter-financing of terrorism, there is still no internal regulation, lacking a plan for the implementation of work, a lack of internal and external monitoring of the implementation, there is no regular training for casino employees, no reporting of STR or CTR. And also, there is no clear management authority and the conditions for applying for a business license are according to the laws of the Lao PDR and the concession registration issued by the Ministry of Planning and Investment, criminal penalty for money laundering and financing of terrorism related to casinos have not yet occurred. Therefore, it can be seen that the implementation of the anti-money laundering and counter-financing of terrorism in the casino sector is vulnerable and there is a gap for criminals to take advantage of.

6.2. Banking Sector

6.2.1. Overview

By December 2023, the banking sector in the Lao PDR has 38 banks, which include: 01 state commercial bank, 01 specialize bank, 05 joint venture state commercial banks, 07 private banks, 08 subsidiaries of a foreign bank and 16 foreign commercial bank branches (01 is in the process of merging), with 116 commercial bank branches, 549 service units, 35 exchange units, 05 coordinator rooms and 1,493 ATMs.

In 2023, commercial banks had total assets of 381,546.81 billion Kip, deposits of 243,719.60 billion Kip and loans of 166,089.74 billion Kip.

At the end of 2023, commercial banks had total assets covering 144% of GDP⁶. It is observable that the banking sector has large amounts of capital sources circulating in the economic system. Currently, commercial banks have improved and developed service systems to have many product models and become more modern in order to facilitate access to services in the financial sector, causing the use of services in the banking sector to grow every year, thus making the banking sector vulnerable to being exploited for money laundering.

The objective of the banking sector risk assessment is to assess and review to see changes in money laundering threats and vulnerabilities:

- Identify the overall vulnerability of the banking sector;
- Identify vulnerability and gaps in products, services and service channels;
- Create an implementation plan based on the priority to strengthen anti-money laundering control in the banking sector.

6.2.2. Conducting the Risk Assessment

1. Vulnerability Risk Assessment in the Banking Sector

The banking sector risk assessment is based on 13 variables: Comprehensiveness of AML Legal Framework; Effectiveness of Supervision Procedures and Practices; Availability and Enforcement of Administrative Sanctions; Availability and Enforcement of Criminal Sanctions; Availability and Effectiveness of Entry Controls; Integrity of Banks' Staff; AML Knowledge of Banks' Staff; Effectiveness of Compliance Function (Organization); Effectiveness of Suspicious Activity Monitoring and Reporting; Level of Market Pressure to Meet AML Standards; Availability and Access to Beneficial Ownership Information; Availability of Reliable Identification Infrastructure; Availability of Independent Information Sources.

2. Risk Assessment of Banking Sector Products

The product risk assessment is based on 12 variables: total value, average transaction size, customer base information, characteristics, level of case transaction activity, frequency of international transactions, other risk factors such as the use of anonymity, the presence of money laundering types related to violations, the use of products/services in fraud or tax evasion schemes, the difficulty in retrieving data records, the use of non-face-to-face products/services, the provision of services through agents and assess 13 products: special customer deposit accounts, individual customer deposit accounts, representative bank account, credit for individual customers, credit for Small and Medium-Sized Enterprise customers (SMEs), credit for large enterprise customers, money transfer, financial service instruments, commercial service instruments, electronic services, currency exchange.

6.2.3. Assessment Results

1. Risk Assessment in the Banking Sector

1) Quality of the Bank's Operation

Previously, applying for a banking business license is the responsibility of the Department of Commercial Bank Supervision of the Bank of the Lao PDR and is the agency issuing a business license through consideration that is based on the law, relevant regulations,

⁶ According to the released information and the 2023 economic report of the Bank of the Lao PDR.

manuals and inspection of documents and information as a basic for consideration and research in the issuance of each license, including checking the history of applicants including the source of capital.

The AMLIO is the supervisors of AML/CFT work, which has been in charge of monitoring and inspection, including training for commercial banks, emphasizing that the compliance officers know their roles and rights-obligations regarding AML/CFT work, and also emphasizing the confidentiality of reporting and measures against violators.

In addition, the criminal punishment measures are clearly determined criminal penalties in the Law on Anti-Money Laundering and Counter-Financing of Terrorism. Previously, there were no criminal offenses against the banking sector.

Formerly, the supervisors, which is the AMLIO, has focused on encouraging commercial banks to build the infrastructure for AML work within the bank, such as creating internal legislation, appointing an independent responsible party, and setting up internal inspection for AML work. As a result, some banks have AML inspection systems such as black account detection system and a suspicious transaction detection system. 38 banks have appointed management staff to be responsible for AML work, however, through the assessment, it is still seen that the banks are not yet unified in the implementation, most of them still make light of the matter and all banks do not have external audits from AML work, resulting in the assessment of the effectiveness of the anti-money laundering system of the bank at a **Medium** level.

2) Quality of Internal AML policies and procedures

In the past period, regulations on anti-money laundering and counter-financing of terrorism have been created and announced in conjunction with AMLIO's continuous promotion of AML work, resulting in more effective management of AML work within the bank, however consciousness in the implementation of AML work of commercial banks is still a characteristic of relying on management authority. Therefore, it results in the assessment of this indicator of the bank at a **Medium** level.

3) Commitment and Leadership of Management Authority

In the past, the Anti-Money Laundering Intelligence Office has created a number of pieces of legislation under the law as tools to manage reporting entities, which is a legal principle that applies to all unit chiefs. The actual implementation is still difficult and does not correspond to the actual implementation of each sector. However, for AMLIO to improve the AML law and some legislation under the law to be consistent with the actual implementation. This results in the assessment of this indicator of the bank at a **Medium** level.

4) Level of Compliance with the Law of Employees

Managers and employees of the banking sector who are stationed at head offices or branches have knowledge and understand the impact on their risk, reputation, image and various measures regarding anti-money laundering, as for the employees of the service units, they are not yet aware and do not understand because they have not received training in anti-money laundering work. In addition, as for access to information and the documents necessary

for research studies, there is not much. This results in the assessment of this indicator of the bank at a **Medium** level.

5) Implementation of Laws and Regulations of Bank Employees

As a result of AMLIO's encouragement for banks to organize continuous training for their internal staff on a regular basis, enabling bank staff to have knowledge of AML work at a medium level. Through the assessment of bank employees, most of them have the knowledge of Know Your Customer and reporting suspicious transactions, but do not yet understand that they will be punished administratively and criminally in the case of a violation or non-compliance with AML regulations because most banks do not have internal regulations on punishing employees who violate AML regulations. At the same time, AMLIO has not yet set the deadline for taking punitive measures against the bank, in addition, the bank's internal regulations do not define the mechanism to protect employees who may be affected by suspicious transaction reporting, which may make suspicious transaction reporting ineffective. For this reason, the result of the assessment of the implementation of the AML regulations of the employees is at a **Medium** level.

6) Quality of the CDD framework

The Anti-Money Laundering Intelligence Office has issued a Decision on Customer Due Diligence KYC/CDD measures as a basic for reporting entities to conduct KYC/CDD. In which, in the actual implementation of the reporting entities, they found difficulties in verifying the accuracy of information, identity documents, etc., accessing to the information of real beneficiaries and basic infrastructure information as well as the lack of independent and reliable information sources. Access to independent sources if information is still limited and the provision of information is delayed because the collection of data by relevant parties is not yet systematic and complete. Because of this, it results in the assessment of this indicator of the bank at a **Medium-Low** level.

7) Quality of AML Supervision

Formerly, the Anti-Money Laundering Intelligence Office conducted annual inspections based on risk. Through document examination or on-site inspection to check the implementation of the obligations as defined in the Law on Anti-Money Laundering and Counter Financing of Terrorism, including the collection of inspection information to be maintained in the database of the Anti-Money Laundering Intelligence Office.

Through monitoring and inspection, most banks are able to implement AML work, especially foreign banks that strictly follow the regulations of their headquarters. However, there are still a number of banks that lack ownership in implementing the regulations, there is still no initiative in developing and implementing such tasks by themselves, still relying on supervisors. On the other hand, because most of the banks still do not have a relationship with foreign representative banks (the world's leading banks) with the implementation of AML work that is oriented toward foreign representative banks, and most of the bank services are in the regional area, so they use representative banks in neighboring countries. Due to this reason, the assessment of the bank's AML management is at a **Medium** level.

2. Product Risk Assessment

❖ Products with Medium-Low Level of Risk

1) Special Customer Deposit Product

Special customer deposits is a group of customers with risk and a group with high asset value, with special access to a variety of services and high transaction activity value. But in the case of the Lao DPR, it is seen that the service of special customer deposit products is still limited (there are 09 banks that provide services, accounting for 26.47%) and the total value of deposits of this group of customers' account for 12.74% of the total deposits. Through the assessment, it is found that the special customer deposit product is at a **Medium-Low** level.

2) Electronic Services

Electronic services are a product that has developed and grown compared to other products because the use of electronic instruments for foreign payments is at a low level and there is a low level of interaction with this case. In addition, it is seen that the average value of electronic instruments transaction is at a low level compared to the average value of all money transfers, and the use of electronic instruments, despite the non-face-to-face nature of the service, but customers who use the service must open a deposit account and provide Know Your Customer information to the bank before being able to use the service, and the average transaction value is also at a low level because the bank limits the amount of money in the activity. Through the assessment, the electronics are at a **Medium-Low** level.

3) Currency Exchange Service

Through the collection of data on the currency exchange services of commercial banks, it is seen that the value and average per transaction is at a medium-low level compared to all money transfers, even though the value of the transaction abroad and the bank will place the customer risk at a low level. Therefore, through the assessment, foreign exchange services are at a **Medium-Low** level.

4) Credit for Individual Customers

Through the compilation of statistics, it is seen that commercial banks have given credit to individual customers accounting for 43.51% of the total amount of credit and it is seen that the average credit value per contract is not high, which may be caused by a number of medium and small business owners carrying out personal loans and the activity value of receiving-paying credit in the form of cash is still not very high. At the same time, it is also seen that the commercial bank has a detailed check of custom information in each loan as well as conducts an on-site inspection to verify the identity and place the risk of this group of customers at a low level. The result of the risk assessment for credit for individual customers is at a **Medium-Low** level.

5) Financial Service Instruments

Through the collection of data, it was found that the use of such instruments has a value covering 8% of the total value of money transfer and most of the customers are corporate customers and must be deposit customers of the bank first, which must go through the Know Your Customer process. At the same time, it is also seen that the use of such instruments is

related to the use of cash at a low-medium level and the use of foreign payments at a low level. Therefore, the risk level of financial service instruments is placed as **Medium-Low**.

6) Commercial Service Instruments

This product is similar to the money transfer service and other payment instruments, those who will be able to use the service must first be a deposit custom of the bank and must go through the Know Your Customer process. Also, because it is a transaction related to foreign payments with a low level of cash usage and a credit loan nature, the bank has to check various information before providing the service in detail, including preventing the risk of money laundering. Therefore, through the assessment, it is seen that the commercial service instruments are at a **Medium-Low** level.

7) Credit for Small and Medium-Sized Enterprise Customers (SMEs)

Because the credit value of SMEs accounts for only 9% of the total credit balance and the credit value per contract is at a medium-low level. In addition, commercial banks have detailed customer information checks for each loan and place the risk of this group of customers at a low level mostly. Base on the assessment, it is found that the credit product for small and medium-sized enterprise customers is at a **Medium-Low** level.

❖ Products with Medium Level of Risk

8) Correspondence Bank Account

A correspondence bank account is a product used to make payments of the bank customers and financial institutions. Through the collection of data, it can be seen that this group of customers is mostly active in foreign payments, shown through high numbers of foreign payments but a low level of cash activity. In addition, it is seen that this product has a total transaction activity value that is not high compared to the average value per transaction which is at a high level. Therefore, the correspondence bank account product is arranged to have a **Medium** level of risk.

9) Individual Customer Saving Account

Individual customer saving account are a basic service product and a source of capital for commercial banks. In which, through data collection, it is found that individual customer saving account for 43.71% of the total deposit amount where the bank places the risk of individual customers at a medium level. According to the current situation, individual customers are more active in such accounts and are more active in integrating with other products. Although the cash activities of this group of customers through depositing and withdrawing cash will be at a medium-high level, it is found that most banks pay a lot of attention to find out customer information when opening a saving account, check the list of persons subjected to sanctions, no permission to open anonymous accounts and low levels of foreign payments. Through the assessment, the risk of this group of deposit product is placed as **Medium**.

10) Credit for Large Enterprise Customers

According to the data collected from the commercial bank, credit for large enterprise customers' accounts for 73% of the total credit balance and the credit value per contract is high, the loan is related to foreign payments and the payment of debt with cash is also at a low to medium level. The commercial bank places the risk of this group of customers at a low level and has a detailed check of customer information. Also, it is seen that the bank pays a lot of attention to the inspection of money transfer transactions. Almost all banks have a system to check the list of persons subjected to sanctions. At the same time, most of the customers who will be able to use the money transfer service must be deposit customers of the bank first, which must go through the Know Your Customer process and the bank has evaluated the trend of money laundering. For this reason, the risk assessment of a money transfer product is at a **Medium** level.

❖ **Products with Medium-High Level of Risk**

11) Saving Account for Legal Entities

Through the collection of data, the legal entity customer deposit service found that there is activity related to many products, including foreign payment transactions at a high level, and this group of customers has a high level of payment activity that is similar to individual customer deposit product. Because commercial banks place the risk of this group of customers at a medium level. Therefore, the risk arrangement of this type of deposit product is at a **Medium-High** level.

12) Daily Current Deposit Account

Customer deposit is a deposit product that most of the customers are enterprise customers. Through the collection, it is seen that the value of daily current deposit accounts for 26.05% of the total deposit. In addition, it is seen that this group of deposit customers use cash and for foreign payment activities at a high level, which may be caused by the fact that most of the customers are company groups for trade or import-export business. Business banks place the risk of this group of customers at a medium level because most of the customers are enterprise units, which business banks have collected detailed customer information. Therefore, the risk of this type of deposit product is classified as **Medium-High**.

13) Money Transfer Product

A money transfer product is the main product of the banking sector in the Lao PDR, which has a high value and transaction activity. Also, there is a connection with other products that are quite diverse. Through the collection of data, it is found that the bank has paid attention to the inspection of money transfer transactions. It is shown that the bank has a system to check the list of persons subjected to sanctions (Sanction Lists). In addition, the customer to use the money transfer service must be a deposit customer of the bank first, which must go through the Know Your Customer process. However, through the risk assessment of money transfer product, money transfer product is at a Medium-High level.

3. Summary of Risk Assessment Results in the Banking Sector

Through the National Risk Assessment of the banking sector, the results of the analysis of the legal and mechanism vulnerability to date for the vulnerability of all products, found that

the laws and legislation of the management authority used as a tool to manage commercial banks are not yet a complete system, the enforcement of sanctions against banks that do not comply with legal obligations is still limited, resulting in many variables not having management regulations appropriate for the AML work is in the classification of **Medium-High** level.

6.3. Real Estate Business

6.3.1. Overview

National Risk Assessment in Money Laundering for the Real Estate Sector of Lao PDR This second assessment aims to address pending issues identified in the previous assessment and align with the comprehensive risk assessment report of Lao PDR. Additionally, it serves as a review of the progress made in addressing risks outlined in the 2018 action plan.

The 2018 assessment found that Lao PDR lacked specific regulations and guidelines for supervising and inspecting the real estate sector. Existing anti-money laundering laws relied on broad legal frameworks, lacking tailored enforcement procedures.

By 2022, the Ministry of Natural Resources and Environment had taken on the direct responsibility for overseeing land-related business activities, including permits and compliance standards. New guidelines for risk assessment and anti-money laundering in real estate have been developed, such as:

1. Land Law No. 70/SPC (June 21, 2019) and Business Regulations No. 4392/MONRE (August 22, 2022),
2. Technical Guide for True Beneficiary Checks Pre and Post Business Permits No. 5978/MONRE (November 22, 2022), and
3. Technical Guide on AML/CFT for Real Estate No. 6967/MONRE (November 22, 2022).

The goal of this assessment in the real estate sector is to support the AML system through comprehensive laws, regulations, and targeted measures to reduce the risk of money laundering.

The National Risk Assessment conducted by the responsible subcommittee involves research, data collection, and evaluation of real estate-related risks to:

- Collect data on the management and licensing of real estate businesses in Lao PDR;
- Identify vulnerabilities in registered or licensed real estate businesses that have violated regulations;
- Evaluate specific risks in different types of real estate to pinpoint risk factors in each;
- Assesses the vulnerability of real estate sector.

6.3.2. Conducting the Risk Assessment

The data collection for conducting a national risk assessment in the areas of anti-money laundering associated real estate investments was carried out over a period of five years, from 2019 to 2023. A survey was initially sent to relevant sectors before actual data collection took place. Meetings were organized at central and local levels in three provinces is: Luang Prabang, Champasak, and Savannakhet as well as in the capital city, Vientiane. These areas are major

hubs for real estate investment and business development by both domestic and international investors.

Awareness sessions were held to clarify the purpose of the national risk assessment, with participation from departments of natural resources and environment in the provinces and capital, as well as real estate companies operating in Vientiane, Luang Prabang, Champasak, and Savannakhet. These sessions outlined the assessment process, the details for each risk variable, the implementation timeline, and the expected outcomes of the assessment.

6.3.3. Assessment Results

The results of the implementation in various areas can be evaluated as follows:

1. Vulnerability of Real Estate (Assessment Level: Moderate)

The real estate buying and selling business in Laos is managed by the government. In 2022, there were a total of 621 companies nationwide in this sector, with 59 companies successfully obtaining business licenses as per the regulatory requirements. The rest are still undergoing the process of applying for licenses according to established regulations. By 2023, this sector contributed 2.8% to the total GDP, with a forecasted growth rate of 0.2% for 2024, based on the 2023 Economic Growth Report for Laos. The real estate sector's actual operating size shows that its capital circulation in the economy remains relatively low compared to other sectors. Additionally, current buying and selling transactions are regulated through banking systems, in line with Agreement No. 4392/GSE, dated August 22, 2022, to implement stronger customer due diligence and reduce the use of cash in real estate transactions.

2. Quality Control of Supervision (Assessment Level: Moderate)

1). Quality of the CDD framework

Measures for examining and changing business owners, shareholders, and managers before and after the issuance of a land-related business license aim to prevent the misuse of this sector for money laundering of illicit activities. These are detailed under Guidance No. 6968/GSE.AMLD, dated December 22, 2022, and land transactions are regulated by Agreement No. 4392/GSE, dated August 22, 2022, for improved customer identification procedures.

In practice, not all companies have yet entered into compliance and registered for licenses, which results in less effective management than expected.

2). Quality of Anti-Money Laundering Management (Evaluation Level: Low)

The implementation of anti-money laundering measures and compliance with relevant legal frameworks remains limited. Although legal provisions for penalties against individuals or entities that violate regulations are in place, actual enforcement through internal or external audits and follow-up monitoring is insufficient.

3). Compliance Level of Staff (Evaluation Level: Low)

Data collection on company regulation enforcement shows that employees often lack awareness of their responsibilities. The absence of internal guidelines for anti-money laundering and counter-terrorism financing, as well as a lack of training, risk assessment, and a modern client verification system, contributes to inadequate compliance.

4). Commitment and Leadership of Management (Evaluation Level: Very Low)

While management has issued regulations for real estate-related businesses and has promoted compliance in 2023, actual implementation is challenging. Many companies are reluctant to comply fully, and those with operating licenses often lack understanding of practical enforcement.

5). Quality of Policies and Procedures in Anti-Money Laundering (Evaluation Level: Very Low)

Although regulatory frameworks have been established, the application of penalties for regulatory non-compliance is weak. Real-world statistics indicate a lack of comprehensive audits and sanctions for companies that fail to meet anti-money laundering and compliance standards.

6). Quality of Movement (Rated as Low)

Based on the data collected, it is observed that the implementation of measures to regulate real estate business operations is currently insufficient. Although there are policies in place to manage and regulate this sector, the actual execution of these policies is not as effective as it should be. Public campaigns to encourage companies to comply with regulations have not yet reached a broad and impactful level. Enforcement, inspections, and penalties for companies that fail to meet standards are limited. Additionally, the awareness and compliance in obtaining business licenses among real estate companies remain low. Even licensed companies lack understanding in implementing anti-money laundering regulations. They do not have structured plans, internal controls, or proper reporting on suspicious activities.

3. Summary of Assessment Results (Final Transparency)

The 2018 national risk assessment report, coupled with recent data collection under section 6.3.1, indicates that the real estate sector carries **medium-high risk**. Compliance with land laws, anti-money laundering regulations, measures, and specific agreements in the real estate business remains inconsistent. While there are guidelines for identifying beneficial owners and assessing compliance before and after issuing business permits, actual application in the real estate sector falls short. Companies lack sufficient understanding of their obligations in anti-money laundering efforts, internal controls are lacking, and they have no structured plans for effective execution. There is a gap in reporting suspicious transactions, training staff, and enforcing penalties on non-compliant entities. Consequently, anti-money laundering efforts in the real estate sector remain weak, allowing vulnerabilities that could be exploited by criminals.

VII. Legal Person and Legal Agreements

7.1. Overview

Establishing an enterprise as a legal person is one of the important tasks in creating an increased business population in order to encourage and promote the production, trade and service businesses of all sectors of the economy, aiming to expand production capacity,

production relations, enabling a nation's economy and society that are growing and strong, to contribute to the development of the nation, and raise better living standards of the people of Laos. Therefore, the enterprise registration sector has decided to include it in the 5-year processing and trade development plan 2021-2025, turning it into a focus work plan and priority work for each year which creates a development policy plan for the enterprise registration work (during 2026-2030).

A legal person in the Lao PDR means an enterprise as defined in the Law on Enterprises, including domestic and foreign cooperatives, associations and foundations that are legally established as legal entities in accordance with the law and regulations as defined in Clause 6, Article 3 of the Penal Code No. 26/NA, dated 17 May 2017. In this assessment, it will assess legal person according to the Law on Enterprises of the Lao PDR with details as follows: 1) ordinary partnership enterprise; 2) limited partnership enterprise; 3) limited company; 4) sole limited company and 5) public company.

The purpose of the risk assessment of legal entities and persons with legal agreements is to obtain an overview of legal person and legal agreements in the Lao PDR, to identify threats, legal and mechanism vulnerabilities, specific risk factors of each type of legal person and legal agreements that have been authorized to operate a business or register in the Lao PDR and have violated the law in the past, in order to determine corrective measures and an implementation plan in the future to reduce such risks.

7.2. Conducting the Risk Assessment

The principle of actual assessment of the national risk assessment of money laundering of related to legal person with legal agreements is based on the procedures and mechanisms of the risk assessment manual (Methodology) of the International AML Organization by using the money laundering risk assessment tool regarding legal persons with legal agreements developed by the World Bank. Which in the assessment includes: 1) Collection of information: is the collection of information on the number of statistics, types, relevant laws and regulations regarding legal persons with legal agreements that are authorized to operate business or register in the Lao PDR based on the information contained in the national enterprise database belonging to the Enterprise Registration Department, Ministry of Industry and Commerce and the Special Economic Zone Management and Promotion Office, Ministry of Planning and Investment; 2) The threat of money laundering regarding legal persons and legal arrangement: is the collection of statistics on the threat of money laundering and financing of terrorism including other predicate crimes based on information sources from investigative officers, prosecutors, courts, Anti-Money Laundering Intelligence Office and reliable open sources of information; 3) Risk assessment of types of legal persons and legal arrangement: to determine or specify the risk factors of each type of legal person and legal arrangement using information from the data collection section and the threat section above; and 4) Assessment of national vulnerability to legal persons and legal agreements: 1) to assess the vulnerability of the country related to money laundering violations by legal persons and legal arrangement; 2) review measures to reduce the risk of violations; 3) identify gaps and weaknesses in the real benefit ownership; and 4) specify level of necessity for preventive measures.

In addition to the collection of information mentioned above, additional information was also collected from other risk assessment committees such as: the overall money

laundrying threat level score, the number of cases and assets related to money laundering cases from the money laundering threat assessment committee (Module 7). All this, to help contribute into the assessment tool regarding the overall threat situation of the country.

The collection of information to conduct the national risk assessment of money laundering related to legal persons and legal arrangement was collected over a 05 year period (2018-2022), by sending questionnaires to relevant parties before going to collect the actual data and organize dissemination meetings in central and local areas including 03 provinces namely: Bokeo Province Special Economic Zone, Savannakhet Province Special Economic Zone, Vientiane Municipality Special Economic Zone due to the budget being limited, these provinces are provinces with large foreign investment and borders with neighboring countries. In which, the information collected includes: Collecting information about legal entities and persons with legal that are authorized to operate business or register an enterprise in the Lao PDR, regulations or legislation used to manage the said sector; The number of incidents or cases that have actually occurred in the Lao DPR related to legal entities and persons with legal agreements, such as the number of suspicious transactions reported, the number of intelligence reports sent by relevant parties to the investigating authorities, the number of cases opened for investigation and sent to for prosecution; The number of prosecutions and judgements against legal persons and legal arrangement related to money laundering; Collection of income of tax authorities; The amount of mutual assistance in criminal matters, the amount of seizure or confiscation of assets, the number of offenders, the affected assets related to those cases, and other. Along with other information related to the vulnerability that is the ability to prevent such problems, such as: summarizing the legislation on money laundering, conveniences and difficulties in implementing the laws.

7.3. Risk Assessment Results

Through the collection of data based on the actual implementation situation of the Lao PDR, we can summarize the results of the national risk assessment of money laundering associated with legal persons and legal arrangement, by divided into 3 sections: 1) Assessment of money laundering threats associated with legal entities and persons with legal agreements; 2) Assessing the risk of money laundering of enterprises with legal entity status and 3) Assessing the national vulnerability related to attracting foreign investment policy.

7.3.1. Assessment of Money Laundering Threats Associated with Legal Persons and Legal Arrangement

The summary of the assessment of the threat of money laundering through legal persons and legal arrangement based on statistical data from relevant parties such as the AMLIO, investigative authorities, prosecutors, courts, and reliable international open-source information, reveals that cases of money laundering linked to legal persons and legal arrangement in Laos are few in number. Therefore, it can be concluded that the threat of money laundering involving legal persons and legal arrangement in Laos is at a **Low level**.

7.3.2. Risk Assessment Results of Enterprises with Legal Person Status of the Lao PDR

1. Assessment Results of Enterprises with Legal Person Status with Shareholders Who are Lao Citizen

The activities of legal person with shareholders who are Lao citizen that have registered as enterprises in the Lao PDR comprise 5 types of enterprises, namely:

- 1) Ordinary partnership enterprises that have been registered with the enterprise registration officer and are found to be of a small number and the registered capital circulating in the business form is not high, violations of the law in the past are found to be at a low level compared to other sector enterprises. Overall, through the assessment, it is found to be at a **Low** level;
- 2) Limited partnership enterprises that have been registered with the enterprise registration office are found to be small in number and the registered capital circulating in the business form is not high, violations of the law in the past are found to be at a low level compared to other sector enterprises. Overall, through the assessment, it is found to be at a **Low** level;
- 3) Sole limited companies that have been registered with the enterprise registration officer are found to be many compared to other types of enterprises with legal person status, with high registered capital, but according to data collection, it is seen that there are still some violations of the law, through the assessment, it is seen to be at a **Medium-Low** level;
- 4) Limited companies that have been registered with the enterprise registration officer are found to be many, with a high amount of registered capital, but according to the data collection, it is seen that there are still some violations of the law, through the assessment, they are seen at a **Medium-Low** level;
- 5) Public companies that have been registered with the enterprise registration officer are found to be small in number but based on the principle of the public company establishment of the Lao PDR that has information on transparency of capital and activities, which can be accessed. Therefore, through the assessment, it is found to be at a **Very Low** level.

Through the summary of 5 types of enterprises of legal person with shareholders who are Lao citizen, it is seen that there is a **Medium-Low** risk.

2. Assessment Results of Enterprises with Legal Person Status Shareholders Who Are Lao Citizen with Joint Ventures with Foreign Countries

The activities of legal person with Lao shareholders with joint ventures with foreign countries that have operated a business in the Lao PDR comprise 4 types of enterprises, namely:

- 1) Ordinary partnership enterprises that have been registered with the enterprise registration office are found to be small in number and the registered capital circulating in the business form is not high, violations of the law in the past are found to be at a low level compared to other sector enterprises. Overall, through the assessment, it is found to be at a **Low** level;

- 2) Limited partnership enterprises that have been registered with the enterprise registration officer are found to be many and the registered capital circulating in the business form is high, the violations of the law in the past are seen to be at a low level compared to other sector enterprises. Overall, through the assessment, it is found to be at a **Medium-Low** level;
- 3) Limited companies that have been registered with the enterprise registration officer are found to be more than other types of enterprises because it is a joint investment between Lao people and foreigners, which results in a very high amount of registered capital, based on the collection of information related to the threat, there are still some violations of the law. Through the assessment, it is seen that it is at a **Medium-Low** level;
- 4) The number of public companies that have been registered with the enterprise registration officer is still small, but based on the principle of public company establishment of the Lao PDR that has information on transparency of capital and activities, which can be accessed. Therefore, through the assessment, it is found to be at a **Low** level.

Through the summary of 4 types of enterprises of legal entities with Lao shareholders with joint ventures with foreign countries, it is seen that there is a **Medium-Low** risk.

3. Assessment Results of Enterprises with Legal Person Status with Foreign Shareholders

The Lao PDR is a country that is open to foreign investment, which has more than 70 countries investing in the Lao PDR in many sectors such as: agriculture, energy and mining, services and others. The countries with the most investment are: China, Vietnam, Thailand, France, Australia, South Korea, Japan, USA, India, Malaysia... through the summary of data, it is able to assess that:

- 1) Ordinary partnership enterprises that have been registered with the enterprise registration officer are found to be a small number and the registered capital circulating in the business form is not high, violations of the law in the past are found to be at a low level compared to other sector enterprises. Overall, through the assessment, it is found to be at a **Low** level;
- 2) Limited partnership enterprises that have been registered with the enterprise registration officer are found to be many and the registered capital circulating in the business form is high, violations of laws and regulations in the past are seen to be at a low level compared to other sector enterprises. Overall, through the assessment, it is found to be at a **Medium-Low** level;
- 3) Limited companies that have been registered with the enterprise registration officer are found to be more than other types of enterprises because it is a joint investment between Lao people and foreigners, which results in a very high amount of registered capital, but according to the data collection, there are still some violations of the law, through the assessment, it is at a **Medium-Low** level;
- 4) Sole limited companies that have been registered with the enterprise registration officer are found to be many compared to other types of enterprises with the status of a legal entity, with a high amount of registered capital, based on the collection of information

related to the threat, there are still violations of law in some cases, through the assessment, it is at a **Medium-Low** level.

Through the summary of 4 types of enterprises of legal entities with Lao shareholders with joint ventures with foreign countries, it is seen that there is a **Medium-Low** risk.

7.3.3. National Vulnerability Assessment and Risk Mitigation Measures

The national vulnerability assessment related to legal entities consists of 02 parts:

1. National Vulnerability Related to the Attracting Foreign Investment Policy

1) Size and Influence of the Establishment of Foreign Companies in the Lao PDR

The Lao PDR is a country that is open to investment, it has created all the conditions to attract foreign investment, based on the landscape with many natural resources and low labour costs, consequently in the past, investors from various countries have come to invest in the Lao PDR. There are more than 70 countries and the number continues to increase, which makes the economic system of the Lao PDR grow. The public sector has facilitated such, for example, there is an enterprise registration sector that is convenient. There are companies that facilitate in giving advice regarding investment in the Lao PDR. Based on these conditions, the result of size and influence of the establishment of foreign companies in the Lao PDR the factor is at a **High** level.

2) Advertising to Foreign Investors

The Lao PDR generally speaking, specifically speaking means that the public sector has seen the importance of attracting investment, so it has facilitated businesspersons, for example, it has been allowed the development of the special economic zones to stimulate investment to make the economy grow. By means of advertising through newspapers, online channels, through regional conference channels, there is a guide for foreign investors to invest and there is a visa issuance system for foreign investors, but based on many criteria, it can be seen that the advertising is not diversified, so the assessment result in terms of advertising to foreign investors of the Lao PDR is at a **Medium** level.

3) Political and Economic Stability

The Lao PDR is a country with high political stability, so the strength and stability of the public sector is at a good level, there are no conflicts between races and religions and there are no conflicts between borders, but in terms of economy, it is mainly based on imports, which imported products are consumables and consumption products that are necessary for the people's lives, because of that, the trade and exchange rate of the Lao PDR has been fluctuating heavily during the past 03 years. For that reason, the assessment of political and economic stability of the Lao PDR is at a **Medium** level.

4) The Strength of Legal Management

The Lao PDR is a democratic country that governs the state by law. Currently, there are more than 130 laws in total, and there are more than 60 laws specifically in the economic field, including Enterprise Law, Tax Law, Investment Promotion Law, Civil Law, Law on Criminal Proceedings, and other laws in order to be a foundation for business activities and taking various measures against individuals or legal entities that are acting wrongfully. From the

results of the assessment of the vulnerability in terms of the strength of legal management is at a **High** level.

5) Legal Framework for asset protection

Although the Lao PDR is a country that governs the state by law and in the past, many laws have been revised and created to manage and facilitate business operations, such as, taking various measures in the case of legal entities violating the law and confiscating of property by the state, as well as protecting the rights and benefits of legal entities. But due to the abuse of loopholes in various areas, the assessment of the vulnerability in terms of the legal framework for asset protection is at a **Medium** level.

6) Level of Corruption Perception

The Lao PDR is one of the countries that pay a high level of attention to the fight against corruption that occurs in various sectors as well as taking decisive measures against the violators in the public sector. However, in the past there were many loopholes that had been exploited to cause the phenomenon of corruption to occur from time to time. Based on the international website (Transparency International's Corruption Perceptions Index (CPI) <https://www.transparency.org/en/cpi>), which ranked the level of corruption in the Lao PDR among the top countries in the world. For that reason, the result of the assessment of the vulnerability in terms of the level of corruption perception in the Lao PDR is at a **Medium** level.

7) Level of Transparency of Beneficial Ownership

In principle, the establishment of the enterprise in the Lao PDR has laws and related legislation as a basic for implementation. At the time of registration, the information of the shareholders must be clearly stated. In the registration field, the person who gives information at the time of registration is considered to be the beneficial ownership. But the process of checking and verifying the information of those who are the beneficial ownership in particular does not have a modern system to search for information and there is not much legislation adopted, there are only some laws that define the beneficial ownership, such as the Anti-Money Laundering and some reporting entity managers have enacted legislation on beneficial ownership checks. For this reason, the assessment of the level of transparency of the beneficial ownership of the Lao PDR is at a **Medium** level.

8) Tax Incentives Policy

The Lao PDR has issued more than 10 tax-related laws and regulations, including the Law on Investment Promotion, as a basis for the implementation of tax obligations for domestic and foreign investors, and there are many conditions that facilitate foreign investors who come to do business in the Lao PDR in many sectors such as agriculture, processing and craft industries, investment projects to serve the public benefit and utilities, including infrastructure development work as well as education, public health, social-cultural development, rural development..., Special Economic Zones, industrial farms and companies listed on the stock market. For that reason, the assessment result in terms of tax incentives policy is at a **Medium** level.

2. Risk Mitigation Measures

1) The Quality of Regulation and Inspection of TCSPs Asset Management Companies, Legal Consulting Companies, Auditing Companies

According to the Law on Anti-Money Laundering, which determined that TCSPs asset management companies, legal consulting companies, auditing companies,... are reporting entities and must fulfill obligations for anti-money laundering such as: carrying out the know your customers measures, reporting and collecting documents. In the past, these entities have not found any suspicious cases. For that reason, the result of the assessment of the quality of regulation & inspections of TCSPs asset management companies, legal consulting companies, auditing companies... are at a **High** level.

2) Effectiveness of Penalties/Fines for Disclosure of Basic Information and Beneficial Ownership

The Lao PDR has determined the measures of punishment for legal person that violate relevant laws and regulations according to the seriousness or lightness of the case, from the implementation of measures to educate, warn, discipline, fine, compensate with civil damages or be criminally punished according to law. At the same time, the enterprise will be suspended from using the enterprise registration certificate as proposed by the tax department due to not fulfilling the obligations according to the laws and regulations regarding taxation. For that reason, the assessment result in terms of the effectiveness of punishment/fines is at a **Medium** level.

3) The quality of the Office of the Enterprise Registrar

- Comprehensiveness of management: Business activities in the Lao PDR must be registered with the Enterprise Registration Office of the Industry and Commerce sector as determined in Article 15 of the Law on Enterprises revised version of 2022. Businesses that do not need to be registered as an enterprise, which are businesses that are under the management, monitoring, and inspection of relevant sectors as defined in the law and regulations to conduct general business and to create favorable conditions for the people of Laos to learn how to start their own businesses from small to large, create jobs, generate stable income to reduce poverty and turn to the idea of trading to become gradually stronger.
- Level of accuracy & update of information: Updating information/changing the content of the enterprise registration certificate is based on the proposal of improvement or change by the enterprise. At the same time, the tax sector, the business licensing sector and related sectors have managed and inspected the activities of the enterprise (still operating normally or has stopped) in order to inform the enterprise registrar who issued the enterprise registration certificate to update the enterprise information to be clear and updated in accordance with the actual activity of the enterprise. The enterprise registrar will issue a notice on the dissolution of the enterprise only after the enterprise has been dissolved according to the procedures set forth in the Enterprise Law and related regulations. Except for the dissolution according to the judgement of the court.

- Adequacy of resources: the Lao PDR has an enterprise registration office with IT equipment, staff, and sufficient financial resources for enterprise registration for legal person.
- Automatic notifications: Due to information update/change in the content of the enterprise registration certificate is based on the proposal for improvement or change by the enterprise.
- Online access: Information on enterprises (legal person) can be accessed through the national enterprise database website for free. In case of needing specific details of an enterprise that must be hard copy and soft copy, the document must be paid for.
- Quality of data format and search options: Enterprise information search can be searched by enterprise name in both Lao and English; name of director/manager; enterprise code number, taxpayer identification number; the company's data collection is stored in an electronic system and stored in a file within a special storage room with a standardized layout diagram with each file having an enterprise code number and the enterprise registration system is connected to the tax management system (TaxRIS) and has been opened to a number of related sectors to connect to.
- Registration of all types of enterprises in the Lao PDR, individuals or legal person with the purpose of doing business must be registered with the enterprise registration office as determined in the Law on Enterprises No. 33/NA dated 29 December 2022. At the same time, all information that has been changed or updated, the management organization has stored in both paper and electronic form; relevant parties can search for the basic information of any legal person through the website of the relevant parties. For that reason, the result of the assessment on quality of the registrar office is at a **Medium-High** level.

4) The Quality of the Information Obtained Through the Know Your Customer Process

According to the Law on Anti-Money Laundering determined that reporting entities such as commercial banks, microfinance institutions, auction houses, credit leasing companies, payment service providers, insurance companies, securities companies, investment fund management companies, investment funds, virtual asset service providers, real estate business, business of buying and selling valuables, accounting companies, audit companies, casino businesses, law firms, lawyers...in which these entities, has the right ad obligation to implement anti-money laundering activities in accordance with Article 16 of the Law on Anti-Money Laundering and Counter Financing of Terrorism;

Which according to the actual inspection on know your customer, it sees the implementation of some reporting entities such as commercial banks, microfinance institutions, auction houses, credit leasing companies, payment service providers, insurance companies, securities companies... which have been strictly implemented. But there are still some entities that have not been strictly implemented such as real estate business, business of buying and selling valuables, accounting companies, audit companies, casino businesses, law firms, lawyers. For that reason, the assessment on the quality of the information obtained through the process of know you customer is at a **Medium** level.

5) Access to information of beneficial owners

- Level of access to information by relevant competent authorities
 - ☑ Easy access upon request Information is easily accessible upon request with 24-48 hours
- Level of access to information of financial institutions and reporting entities according to AML obligations
 - ☑ Easy access upon request Information is easily accessible upon request with 24-48 hours
- Level of public access
 - ☑ Easy access upon request Information is easily accessible upon request with 24-48 hours
- Quality of data format & search options

The information about the beneficial owner (BO) is the same information as the shareholders. In which, the information is stored in a standard format such as: in a special storage room, with a diagram of the storage for easy searching and storing information of each enterprise in a file by enterprise code number.

Standard format information organization has facilitated the connection of the information between the enterprise registration system and other electronic systems of the government, such as: connected to the tax management system (TaxRIS) of the tax sector (Ministry of Finance); import-export information system (Department of Foreign Trade, Ministry of Industry and Commerce); foreign currency management system, credit information system (Bank of the Lao PDR); recruitment management system (Ministry of Labor and Social Welfare); investment management system (Ministry of Planning and Investment) and other systems.

The information about the beneficial owner (BO) is the same information as shareholders. In which, the information can be searched for by the name of the enterprise in both Lao and English; names and surnames of directors/managers, shareholders; enterprise code number, taxpayer identification number. Also, search for statistics according to: type of enterprise, form, type of enterprise; sector of business operation; according to each country or nationality of the investor; separated by gender; separated by size of registered capital. For that reason, the assessment of the access to the information of the beneficial owner is at a **Medium** level.

6) Existence & Effectiveness of Beneficial Owner Verification Mechanisms “BO”

According to the Enterprise Law revised version No. 33/NA, dated 29 December 2022 and the principle of enterprise registration, the real beneficial owner (BO) is the same person as the shareholder who was informed at the time of registration, where the enterprise registration officer checked the number, type of document, completeness and accuracy of the content of the document, especially the name and surname of the shareholder to be correct according to the identity card, household registration book or passport. For shareholders who are legal person established under foreign laws, the name will be checked against the corporate registration certificate or legal person registration certificate including the list of managers,

directors, shareholders of the mentioned legal person. For that reason, the assessment of the Existence & Effectiveness of Beneficial Owner Verification Mechanisms is at a **Medium-Low** level.

7) Quality of Controls Against Opaque Structure

According to the Law on Enterprise and related laws that determined the regulations that can manage legal person established within the Lao PDR so as not to violate or abuse legal person in a wrong way or against the law such as: the Law on Enterprises does not allow the appointment of substitute directors, substitute shareholders, including not allowing shares to be anonymous. In this, according to the Law on Anti-Corruption and related legislation, it is stipulated that all civil servants in the Lao PDR must report their assets and income from time to time strictly. However, as for the regulations to record and disclose the status of persons with political status, for company officers, directors, beneficial owners (BO) and others when registering a company, the Enterprise Law does not specify such conditions, but other laws have been determined it in, for example, the Law on Civil Servants, Article 82 has defined: it is prohibited to conduct business by being the owner, board of directors, shareholder, or manager of any business entity. For that reason, the result of the assessment of the quality of controls against an opaque structure is at a **Medium** level.

8) Effectiveness of International Information Exchange

International information exchange on money laundering related to legal person and beneficial owners (BO), in the case of exchange or request to the Anti-Money Laundering Intelligence Office, there will be channels for exchange such as through memorandums between organizations, through the international intelligence group (Egmont Group), through mutual legal assistance channels (MLA), through diplomatic channels and so on. As for the tax sector of the Lao PDR, information exchange is not automatic exchange of information (AEOI) under CRS or FATCA. However, in the exchange of such information, there is an exchange of information with the duplicate treaty countries in the case of a proposal from the relevant country (EOIR) and there is a direct exchange between the tax authorities and other countries. For that reason, the assessment of the Effectiveness of International Information Exchange is at a **Medium-High** level.

9) Effectiveness of Information Exchange Between Domestic Organizations Regarding Legal Persons and Legal Arrangements

Currently, the national enterprise database system has been connected to the database system of the tax sector and is open to related sectors to use enterprise registration information such as the database of credit information companies, the Bank of the Lao PDR, the database of the Department of Skill Development, Ministry of Labor and Social Welfare, and the Department of Investment Promotion of the Ministry of Planning and Investment. For statistics, it is not possible to fill in the information because it is connected by the Application Programming Interface – API that enables the sector to retrieve the enterprise registration information by themselves according to the agreed memorandum. For that reason, the assessment of the effectiveness of the international information exchange (Effectiveness of International Information Exchange) is at a **High** level.

7.3.4. Summary of the Assessment Results

Through the assessment of money laundering risks associated with legal persons and legal arrangement, the following conclusions can be drawn:

1. The result of the assessment of the money laundering threat related to with legal persons and legal arrangement in the Lao PDR is at a **Low** level;
2. The result of the risk assessment of enterprises with legal person status of the Lao PDR is at a **Medium-Low** level;
3. The result of national vulnerability assessment and risk mitigation measures can be assessed at the **Medium** level.

The assessment summary of with legal persons and legal arrangement in the Lao PDR can be summarized as **Medium-Low** risk.

VIII. Virtual Asset Trading Service (VA/VASPs)

8.1. Overview

The Lao PDR allows the operation of business in the field of virtual assets for only 02 types, namely: cryptocurrency trading service and mining. Among them, it is determined that the business of cryptocurrency trading service is under the management of the Department of Payment System Management, the Bank of the Lao PDR, which was established in 2018 to support the development of the economic system. As for mining, it is under the management of the Department of Digital Technology, Ministry of Technology and Communication.

In 2021, the Lao PDR has allowed the cryptocurrency trading experiment by 02 companies, namely Lao Digital Asset Exchange Co., Ltd. (LDX) and Bitqik Limited (Bitqik), of which only Bitqik Limited (Bitqik) is ready to conduct the experiment, while Lao Digital Asset Exchange Co., Ltd. (LDX) is not yet ready to conduct the experiment at this time. By 2024, BoL has issued a license to Bitqik Company Limited (Bitqik) to operate the business of buying and selling virtual assets based on the license to operate a cryptocurrency trading center No. 207/PSD, dated 5 March 2024.

For mining, the Lao PDR has agreed to approve 06 companies to experiment with cryptocurrency mining, use, and trading of cryptocurrency in the Lao PDR and there are 09 companies in the research stage.

The purpose of risk assessment of the virtual asset sector is to identify potential threats, vulnerability of legislation, management and implementation of the virtual asset sector, risk factors, impact on the country's economy and currency policy, as well as to determine the establishment of regulations, policies, and measures to prevent and suppress money laundering.

8.2. Conducting the Risk Assessment

The national risk assessment of money laundering related to the virtual asset sector is based on the manual and mechanism provided by considering and a thoroughly analysis of the sub-committee regarding the information collected from managers and trading companies of virtual assets, such as: general information, information on threats, information on vulnerability and risk mitigation.

The actual assessment will assess only one category, namely the cryptocurrency trading business because it is a business that provides the services to both domestic and foreign customers. The cryptocurrency mining company is not being assessed because the mining company is still in the experimental stage and has not provided any services to customers as the cryptocurrency trading company has.

The method of data collection is to create risk assessment questionnaire in 03 forms: 1) for supervisors; 2) for virtual asset service provider and 3) for investigating authority. Data collection is only in 01 place located in Vientiane Municipality.

Through the collection of information from the cryptocurrency service provider, there are a total of 7,016 users who have used the service to buy and sell crypto currency, of which there a total of 6,077 Lao users and 905 foreign users, which can sum the cryptocurrency purchase value of 302 transactions totaling 17.48 billion Kip and the value of cryptocurrency sales from 255 transactions totals 6.64 billion Kip.

8.3. Assessment Results

8.3.1. Threats

1) The nature and profile of VA is at a **Medium-High** level because the virtual asset trading service company has not yet established internal regulations on anti-money laundering but the company has internal regulations for service management in monitoring the risk of transactions with the Chainalysis system to manage and monitor the risks of transactions associated with external parties, and cannot use VA to replace cash or P2P because the laws of the Lao PDR do not allow this. Currently, VA is used as the only type of asset that is allowed to be traded with only Bitqik Company and the purchase and sale of VA is possible through the banking system and money can be withdrawn from the account in Kip currency only, for which identity must be verified with the Two Factor Authentication system every time and all VA transactions in Bitqik's system are On-chain transactions that are recorded in the said VA blockchain using Fireblocks services. In addition, the VA trading service is able to check the information of customers registered in the database with the Chainalysis system to be able to know which VASP it is transferred to, but if it is not in the database, they will not be able to know, in which case measures will be used according to the regulations on Know Your Customer and Customer Due Diligence (KYC/CDD) as specified in the terms and policies of coins trading through the bank account. In which when trading with the company, the transactions must be done through the bank account only.

2) VA source of fund is in a **Medium** level because transfers of cash and valuable goods and objects are not possible for this transaction. The Department of Payment System Management of the Bank of the Lao PDR, which is the supervisors, does not allow the use of cash and valuables of various kinds to buy and sell and exchange for VA, and VA can redeem cash directly with Bitqik Company, cash transactions must go through an authorized commercial bank. In addition, in the use of virtual asset currency, customers can use various types of VA from other platforms, transfer of VA to buy and sell only VA currencies that are supported in reporting entities only, as well as using Chainalysis to track and evaluate the origin of VA transactions deposited from other platforms.

3) The operational characteristics of VA are at a **Medium-High** level because the management authority has regulations to control using the Decision on Trial Operation of

Cryptocurrency Trade No. 777/BOL, dated 13 December 2021, Decision on Trial Transaction of Digital Assets No. 888/MOTC, dated 09 November 2021 and Notification on Permission to Conduct a Trial Cryptocurrency Trading Business No. 615/CPMO, dated 05/05/2022 and have a system to track VA and VA service providers (VASPs) who are active in the Lao PDR. In addition, it clearly defines the customer's rights on the scope of reclaiming assets, trading and exchanging VA, including corrective measures and regulations in the event of a systematic, product or service emergency.

As for the VASP supervision, VA transaction activities with financial sectors or countries that do not have AML/CFT supervision are not allowed. In addition, the supervisors does not allow unregistered companies to operate based on the Notification on Prohibition of Financial Institutions Nationwide from Operating a Business Related to Cryptocurrency No. 382/Cab., dated 30 October 2018 and there is no assessment of the exchange, buying and selling and transfer of cryptocurrency or stable coins from a decentralized platform into a centralized VA. Where the decentralized platform, which may be a place to hide illegal funds, and assessment of the use of decentralized hardware or hardware system with no owner or the use of paper wallets in transporting VA across borders. And as for Bitqik Company, it is using the Chainalysis system to evaluate transactions deposited into crypto wallets to verify cryptocurrency or stable coins from a decentralized platform into a centralized VA whether it has a suspicious origin.

4) The ease of crime is at a **Medium-Low** level because in the Lao PDR P2P trading is not allowed through the VA company system, it is allowed to buy and sell for profit only within the trading-exchange center and it is not allowed to pay for services and goods base on the Decision on Trial Operation of Cryptocurrency Trade No. 777/BOL, dated 13 December 2021, and the Decision on the Trial Transaction of Digital Assets No. 888/MOTC, dated 09 November 2021. In addition, the Lao PDR does not have specific laws, legislation or guidelines to monitor and inspect VAs operating through fake accounts (spoof accounts) operating through any VASP company to transfer to another local or foreign VASP to conceal the origin of funds. But now supervisors and officials have initiated monitoring and inspection to seize, freeze and confiscate assets related to VA's that are suspected to be money received from illegal offenders.

5) The economic impact is at a **Medium-High** level because the Lao PDR has defined foreign currency policy that does not allow the use of virtual assets to pay for goods and services or to conduct other transactions equivalent to currency (Fiat) in the Lao PDR and financial institutes are also not allowed to participate in system development and product creation, except for authorized trading centers. As for the responsibility of the service provider of such products, VASP business is assessed against the responsibility or obligation to comply with AML/CFT protection measures according to the Decision on the Trial Operation of Cryptocurrency Trade No. 777/BOL, dated 13 December 2021, Law on Anti-Money Laundering and Counter-Financing of Terrorism No. 50/NA, dated 21 July 2014, Decision on Anti-Money Laundering and Counter-Financing of Terrorism Measures for Report Entities No. 10/NCC, date 25 August 2021 (Revised) and other legislation correctly (to ensure business accountability in complying with supervisors in law enforcement actions such as reporting, detaining, seizing and freezing illegal VA).

8.3.2. Vulnerability

1) The products and services offered and the categories are at a **Medium** level because of the nature, size and complexity of the business, the maximum ceiling has been set for the transaction of each type of customer; using Chainalysis as a tool in risk assessment in order to identify customers with suspected transactions that may be related to money laundering there is mechanisms, regulations and tools to manage transboundary (transnational) VA transfers that operate within the country and that occur worldwide but is not enough to cover all activities of virtual assets that are active in reality.

Products/services: able to purchase-sell/exchange EXCHANGES only, such as: customers can transfer virtual assets from WALLETS on other platforms to make purchases/sells/exchanges on the platform of the VA trading company, but customers cannot buy-sell P2P between customers themselves. As for depositing case or withdrawing cash, it must be through a specific bank account.

Internal regulations: there are regulations for the management of each type of service and product; there is a system to track customers who use each type of service and product; there are internal regulations on the management of financial and accounting work; there are regulations to inspect financial and accounting work of a VASP company from internal auditors and from external auditors. In addition, VA business operations in the country do not establish a relationship with companies that provide VASP services in regions or countries that do not have AML/CFT regulations or countries with ML/FT risks.

Geographical location: the company that provides virtual asset trading services is located in the Municipality area, which is not located in an area with a high crime rate or designated as a prohibited area by international organizations.

In terms of risk, there is still no classification of high-risk customer groups, such as: those with a political position, foreign customers, customers who make anonymous transactions or use pseudonyms and there are simple measures based on the results of national risk assessment, as well as measures for unlicensed and anonymous partners or complex financial flows and as partners, there is customer identity verification for VA transfers; measures to address the risk of customers who do the transaction using pseudonyms or anonymity to be able to adequately identify the customers and real beneficiaries, and the company has assessed the financial activity of the customer conducting virtual asset transactions.

8.3.3. Risk Mitigation

1) Government measures are at a **Medium** level because the completeness of AML/CFT legal framework is still not focused and sufficient, especially the monitoring and inspection tools, in which the supervisors have a plan to create and update the management legislation to be completed by the end of 2024, regarding the amendment of the Decision on the trial operation of cryptocurrency trade No. 777/BOL, dated 13 December 2021, creating a guide for the inspection of cryptocurrency trading activities and others to be able to manage the reporting entity and in line with actual business operations. In addition, the management authority is in the process of issuing a license to operate the business VASPs as defined in the Decision on the trial operation of cryptocurrency trade No. 777/BOL, dated 13 December 2021. And there is no mechanism to cooperate with foreign countries or to collect and request

customer information such as information about virtual wallets, information about Blockchain transactions and information related to virtual assets from abroad.

In the past, the Payment System Management Department and the Anti-Money Laundering Intelligence Office have been working together to disseminate, create awareness and understanding about anti-money laundering and counter financing of terrorism for crypto trading companies.

2) VASP measures are at the **Medium-Low** level because the virtual asset trading company has defined the organization structure, duties and roles of each position in detail as well as the proportion of beneficiaries and the board of directors; there are regulations and measures to reduce the risk of transactions according to the Decision on the trial operation of cryptocurrency trade No. 777/BOL, dated 13 December 2021, Decision on anti-money laundering and counter financing of terrorism measures for reporting entities No. 10/NCC, dated 25 August 2021 (Revised) and use the Chainalysis system which is a transaction tracking system with a database that can ensure anti-money laundering and counter financing of terrorism, which VASP company is the effectiveness of the compliance function and internal control mechanism by using the Chainalysis system which is a transaction data monitoring system with an AML database which is a mechanism for system risk control and measures to prevent money laundering and financing of terrorism.

In addition, after being authorized to open the service, if there is a violation or failure to implement control measures related to AML/CFT, it will result in the use of administrative measures in accordance with the law. At the same time, the company must initiate a continuous and regular training plan for employees within the company to ensure that the employees of the virtual asset trading company have a deep understanding of the AML/CFT law, policies and procedures, risks and risk mitigation that is appropriate and up-to-date.

3) Measures of financial institutions (FI) and non-financial entities (DNFBP) are at a **Medium-Low** level because the risk assessment and risk mitigation measures by FI and DNFBP have not yet assessed the risk of trading and providing cryptocurrency exchange services that may be used for money laundering and checking the information of individual customers or legal entities before trading-exchanging and in terms of the effectiveness of the implementation of compliance functions and internal control mechanisms of virtual asset trading companies, there are effective internal control mechanisms and compliance to reduce ML/TF risks related to VA and VASP products and services. In addition, virtual asset trading companies have sufficient resources and technological expertise to comply with relevant laws and regulations.

8.3.4. Summary of the Assessment Results

Through the assessment and analysis of the three aspects mentioned above, it is seen that risk assessment of virtual asset trading sector is at a **Medium** level because it is seen that the Lao PDR has a number of laws and legislations to manage the implementation that is quite oriented and in line with international standards, especially the VA transfer management tool that use the Chainalysis system, but the implementation of the rights and obligations of the VA trading company is not yet as good as it should be, especially the monitoring and inspection of AML/CFT work and conducting of the assessment according to the principles of risk management.

IX. Non-Profit Organizations

9.1. Overview

The Lao PDR has defined the Non-Profit Organizations (NPOs) as 02 organizations, such as: Lao Civil Society Organizations (CSOs) and International Non-Governmental Organizations (INGOs).

The Lao civil society organizations (CSOs) includes: 1) Association: is a social organization whose members are voluntary, humanitarian, and who have a noble spirit of sacrifice in contributing capital, material, wisdom, and sweat to help and develop society, the community, the poor, the disadvantaged, the disabled, the elderly, victims of natural disasters or war without hoping for a return, and 2) Foundation: is a social organization with a legal entity status, it has capital, specific assets for public benefit in terms of culture, education, environment, public health, sports, science, charity, humanitarian and other non-profit activity.

The international non-governmental organizations (INGOs) are international non-governmental organizations of foreign countries with the status of a legal entity, duly registered under the laws of the country where the organization was established, with complete documents as specified in Article 06 of Decree No. 013/PM, dated 08/01/2010, INGOs are aimed at development and humanitarian aid that is in line with the government's policies, the laws of the Lao PDR and in line with the good customs of the Lao people.

The purpose of the risk assessment of the NPOs sector is to identify the characteristics and activities of NPOs that may be at risk of terrorism financing by determining the threats and vulnerabilities to the sector, to provide a basis for the implementation of regulations, law enforcement and other measures in reducing the risk of financing of terrorism, which will help in allocating information sources effectively to the competent authorities. The results of the NRA assessment can be used as information in the risk assessment to determine the risks of each type of NPOs' activity to be able to prioritize improvements and creates an appropriate action plan in the future.

9.2. Conducting the Risk Assessment

The principle of actual assessment of NPOs that are at risk of terrorism financing violations is based on the procedures and mechanisms recommended by the World Bank through the thorough consideration and analysis of the sub-committee on the information that can be collected from the relevant parties such as: incidents, cases or actual behavior that occurred within the country, the basis information of NPOs from the management authority (Ministry of Home Affairs and Ministry of Foreign Affairs) and information from NPOs. In addition, the trends and other elements are also considered, such as: geography, population, religion, internal conflicts and so on.

The collection of data to assess the risk of financing of terrorism in the NPO sector is collected for period of the past 5 years, by bringing the actual data from the questionnaire provided by the relevant parties both in the central and local areas including 05 Provinces namely: Vientiane Municipality, Champasack Province, Xiengkhouang Province, Houaphanh Province, and Vientiane Province, with dissemination to create awareness and understanding of the work to obtain complete, accurate and clear information. The information collected

includes: connection with terrorism organizations, preventive measures, size, type of activity, location, etc. of NPOs, information from management authority such as: basic information, monitoring and inspections, annual reports, government measures in management and various measures applied to NPOs. There is also a collection of suspicious transaction data (STR), actual incidents and cases that occurred in the Lao PDR, prosecutions and judgement of terrorism and financing of terrorism cases, mutual legal assistance from investigative authorities and other information related to legislation and mechanisms for implementing related laws and regulations.

❖ Target of Data Collection:

Currently, there are 487 NPOs in the Lao PDR (342 CSOs and 145 INGOs). There are 201 NPOs that meet the definition of FATF and have been assessed, which are divided into 2 groups: 73 CSOs that are registered with Ministry of Home Affairs (MOHA) and 128 INGOs that are registered with the Ministry of Foreign Affairs (MOFA).

Table: NPOs that has been assessed

No.	Management Authority Section	Data Collection Section	Central Level	Local Level	Total
	Ministry of Home Affairs	Associations	38	14	52
		Foundations	20	1	21
	Ministry of Foreign Affairs	INGOs	111	17	128
Total:					201

Data source: AMLIO, 2024.

9.3. Assessment Results

Through the collection of actual data, it is seen that the NPOs operating within Laos have no evidence or suspicions that the financiers of terrorism are trying to exploit NPOs for the purpose of financing of terrorism according to the assessment results of each type of NPOs activity shown below:

Table 9.1: Assessment Results of NPOs

Type of NPOs	Assessment Results		
	Threats	Vulnerability	Potential Risks
CSOs comprise 6 Types			
Type 1 Education	0,00	0,02	Low
Type 2 Environment (Agriculture and Forestry)	0,00	0,02	Low
Type 3 Social Assistance (Labor and Social Welfare)	0,00	0,02	Low
Type 4 Health	0,00	0,02	Low
Type 5 Culture	0,00	0,02	Low

Type 6 Charity	0,00	0,06	Low
INGOs comprise 5 Types			
Type 1 Health	0,00	0,00	Low
Type 2 Education	0,00	0,00	Low
Type 3 Environment (Agriculture and Forestry)	0,00	0,00	Low
Type 4 Social Assistance (Labor and Social Welfare)	0,00	0,00	Low
Type 5 Information, Culture and Tourism	0,00	0,00	Low

Data source: 2024 NRA Outcomes

Assessment Summary

Through the assessment, the Lao PDR is a peaceful country without the activities of terrorist groups, without the activities of extremist groups and the causing of conflicts between ethnic groups or religions that may cause great damage to people's lives and property. At the same time, the activities of NPOs also have regulations, measures of the government in the management which are quite oriented, including the internal measures of NPOs themselves, in order to have the scope of activities that is correct according to the regulations, according to the objectives and goals (as shown in the diagram).

Along with that, based on the results of the terrorism financing assessment, the threat and vulnerability are **low**. Because of that, it shows that terrorism and terrorism financing in the Lao PDR do not exist and is consistent with the results of the national risk assessment of NPOs on terrorism financing that is at a **low** level.

X. Assessment of Potential Terrorism Financing Risks

10.1. Overview

The Lao PDR is a country that is basically peaceful and orderly. There are no terrorist activities, no extremist groups, and no conflicts between ethnic groups or religions that may cause terrorism, money laundering and terrorism financing that will cause great damage to the lives, health, and property of citizens and so on. However, the police force is directed and led resolutely, directly and comprehensively, both as a duty and responsibility according to the law, always paying attention to the work of prevention, suppression and comprehensive preparation to resolve when there is a case of terrorism that may occur. At the same time, the Lao police officers oppose and condemn all forms of terrorism that cause damage to the lives, bodies and property of citizens regardless of the form, time and place. In addition, Lao police officers support and help each other throughout the country as well as coordinate with regional and international organizations to prevent and combat the problems of terrorism, money laundering and terrorism financing on the basis of cooperation, following the international rules: respect sovereignty, territorial integrity and do not interfere in each other's internal affairs.

The Ministry of Public Security has directed the specialized departments in coordination with the relevant parties to continue to focus on protection and suppression of incidents that may occur. In that, there is a monitoring of the activities of bad people and resolving the suspicious phenomenon before incidents happen, increasing the inspection measures at the airport, international checkpoints, local checkpoints and traditional checkpoints strictly, paying attention to guarding important locations, embassies, various international organizations, increasing postal inspection measures and continuing to improve the capacity of relevant officials, maintaining the use of the joint mechanism – coordinate and exchange information with ASEAN and international police member countries, especially with bordering countries in order to understand the movement of bad people and prevent criminals from hiding in Laos

The objectives of the TF risk assessment are to:

- 1) Terrorism Threats: Focus on determining the level of terrorist financing threat based on the source of the terrorism threat identified through law enforcement information, intelligence from counter-terrorism agencies as well as related financial information;
- 2) TF Threats: Focus on determining the routes, sources of terrorism financing and channels used to finance terrorism, which can be identified using law enforcement data and information types as indicators;
- 3) TF Vulnerability: Focus on determining the strength in controlling the terrorism financing within the country's conditions, such as: gaps in legislation and mechanisms to prevent such problems in the Lao PDR.

10.2. Conducting the Risk Assessment

TF assessment principles are based on the procedures and mechanisms of the risk assessment manual (Methodology) by the World Bank, the thorough consideration and analysis of the sub-committee on the information that can be collected from the relevant parties such as: incidents, cases or behavior that have actually occurred and then compared to the capacity to prevent such problems as well as legislation and prevention mechanisms to deal with potential incidents. In addition, the trends and other elements are also considered such as: geography, population, religion, domestic conflict situation and others.

The assessment tool for the financing of terrorism used is the tool developed by the World Bank but modified to fit the situation of the Lao PDR, because actually in the Lao PDR there are no statistics related to terrorism, information on individuals or terrorist groups and terrorism financing.

10.3. Assessment Results

10.3.1. Terrorism Situation

The terrorism situation is also an important agenda for joint discussion at different levels in the region and in the world because terrorism is a threat to peace and stability of the nation which has occurred in areas with political, economic, religious, ethnic and other conflicts. From the conflict that is the source of terrorism, it continues to spread in a wide circle with different methods, which has become a great difficulty and challenge for the authorities to protect peace and order in the world. For this reason, it is required that all countries must cooperate to prevent and fight terrorism in a timely manner.

In the past, the authorities of the Lao PDR have coordinated with the relevant parties, being in charge in paying attention to protection work and suppressing incidents that may occur. In that, there is a monitoring of the activities of the bad people and resolving the suspicious phenomenon before incidents happen, increasing the inspection measures at the airport, international checkpoints, local checkpoints and traditional checkpoints strictly, paying attention to guarding important locations, embassies, and various international organizations, increasing inspection measures for postal items such as: chests, packages and boxes of postal items, continuing to improve the capacity of relevant investigative officials and relevant parties, maintaining the use of joint mechanism – coordinate and exchange information with ASEAN and international police member countries, especially with bordering countries in order to understand the movement of bad people and prevent criminals from hiding and operating in the territory of the Lao PDR. Through actions to prevent and resolve various problems, the police force, police investigation officers of the Lao PDR can prevent, suppress and ensure stability, peace, security and social order in the country, creating peace in the society, the economic production units are in continuous production and safe.

10.3.2. Terrorist Financing Situation

Through coordination with the relevant parties of the investigative authorities in monitoring, inspecting, cooperating, exchanging information and evaluating in various aspects, both public and private sector, in the past, financing for terrorism in the Lao PDR has not been found in any case in the Lao PDR. In that, there have been some cases of businessmen who have brought money from neighboring countries, some of which has been seized by neighboring authorities and some of which have been seized by the Lao PDR officials, but that amount of money, after being investigated through individuals involved in the movement of money, were brought in to conduct private business without any involvement in providing funding to any individual, group of people or any party. In addition, through the financial inspection through the banking system, there is no transfer of money by individuals or legal entities located abroad in any way related to the financing of terrorism.

10.3.3. Threats of Terrorism Financing in the Lao PDR

Through the TF threat assessment of the Lao PDR based on the phenomenon and statistics that happened in the Lao PDR, including the assessment of neighboring countries (Vietnam, Cambodia, Thailand, Myanmar, China), Malaysia, Indonesia and Australia, the threat of terrorism financing can be assessed as follows:

- The TF threat caused by the threat of domestic terrorism is at a **Very Low** level because the Lao PDR does not have phenomena and cases related to terrorism and financing of terrorism. There are no statistics of phenomena or incidents that cause the death or injury of citizens or serious injuries, intimidations or coercion to cause terrorism, including fundraising activities for terrorism with the Lao PDR.
- The TF threat caused by domestic terrorist organizations or individuals is at a **Very Low** level because the Lao PDR does not have domestic terrorist organizations or individuals, including along the border. According to the domestic terrorist threat

mentioned above, there are no statistics, incidents and cases related to terrorism, including financing of terrorism.

- The TF threat caused by individuals who support terrorist organizations, individuals or ideas (those who agree to participate in terrorist ideology) is at a **Very Low** level because the Lao PDR is a fundamentally peaceful and orderly country, there has been no terrorist activities, the activities of extremist groups, there have been no conflicts between ethnic groups or religions that may cause terrorism and the financing of terrorism that will cause great damage to the lives, health, property of citizens and others. In addition, the majority of citizens are Buddhists, which does not have any activity or idea to support or participate in the ideology of terrorism, including not raising funds to finance terrorism in any way.
- The TF threat caused by the terrorist activities of neighboring countries is **Very Low** because although the Lao PDR has a border with 5 countries, but there is not any of these events of terrorism including fundraising in various countries related to the financing of terrorism in the Lao PDR, such as: internal TF threats, incoming TF threats, outgoing TF threats and threat of the Lao PDR being a transit. In addition, the Lao PDR has also sent a questionnaire and researched TF risk assessment of neighboring countries such as Vietnam, Cambodia, Thailand, Myanmar, China, Malaysia, Indonesia and Australia, and see that the Lao PDR is a low-risk country related to terrorism and financing of terrorism to these countries.
- The TF threat caused by being a financial/trade center is a **Very Low** level because the Lao PDR is a country without terrorism or threat cases related to terrorism including financing of terrorism, there are no terrorist organizations, groups of people or individuals active in the country. Therefore, there is no financial flow both within and between countries related to financial transactions that associated with the mentioned issue.
- The TF threat caused by the supply of strategic goods and services is at **Very Low** because financial assistance, military equipment, strategic goods and other economic resources to areas with the threat of terrorism, including the financing of terrorism, do not exist in the Lao PDR. The provision of goods and services that may pose a threat of financing terrorism, such as all types of weapons, other types of military equipment, explosives and related raw materials and chemicals, center types of fertilizers, surveillance equipment, drones, remote control equipment, medicine and health care equipment, etc. also do not exist.

Table 10.1: TF Threat Assessment Results

TF Threat Assessment Results		
Threat	Score	Assessment Result
Internal TF Threat	0.1	Very Low
Incoming TF Threat	0.1	Very Low
Outgoing TF Threat	0.1	Very Low
Transit TF Threat	0.1	Very Low

Domestic TF Threat	0.1	Very Low
International TF Threat	0.1	Very Low
Overall TF Threat	0.1	Very Low

Data source: 2024 NRA Outcomes.

From the assessments results of each variable above, it shows that the assessment result of the national threat of terrorism financing of the Lao PDR is at a **Very Low** level.

10.3.4. Vulnerability

The Lao PDR has defined policies and strategies to prevent, suppress and combat terrorism and the financing of terrorism by creating legislation that is oriented and in with international standards, as well as creating mechanisms and measures to prevent, suppress terrorism and financing of terrorism so that it does not occur in the Lao PDR.

1) Policies and Strategies

The government of the Lao PDR has determined the problem of suppressing and combating the financing of terrorism in the strategy of anti-money laundering and counter-financing of terrorism of the Lao PDR for 10 years (2021-2030) and the vision until 2035, which covers the establishment of mechanisms for cooperation and coordination with relevant parties and building capacity for the proceedings of terrorism financing cases. Moreover, the officials of all relevant parties are assigned to be responsible for the creation and improvement of legislation within each area, and to strictly implement such work.

By following the national strategic plan for the development of the nation over the next 05 years and the project plan of the Ministry of Public Security, that is the implementation of 04 plans and 9 projects of the General Police Department to suppress and solve the negative phenomena that occur in society, the police officers have paid attention to predict the events that will happen and determine that area that are prone to various types of crimes, including the commission of crimes that are of a very dangerous nature, progressing to terrorism of the enemy who do not have good intentions. Here, we need to pay special attention and prepare forces, vehicles, and modern technical equipment, as well as create a comprehensive prevention and defense plan for public service facilities such as: bus stations, train stations, airports, supermarkets, fresh markets, department stores, markets, night markets, fitness centers, physical exercise locations, golf courses and parks where there are masses of people, etc.

2) Organizations responsible for investigating and resolving emergencies

The government of the Lao PDR has established a coordination mechanism to combat terrorism. It includes the participation of various relevant ministries such as the Ministry of Public Security, the Ministry of National Defense, the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Health, the Ministry of Labor and Social Welfare, the Ministry of Finance, the Supreme People's Prosecutor's Office, the Supreme People's Court and others. The coordinating mechanisms have the task of researching, discussing, setting policies, strategic plans related to the problem of counter-terrorism, ensuring coordination, exchanging

information with each other, and implementing their specialized duties as assigned by the government.

Among the ministries that lie in the coordination mechanism, the government has given the Ministry of Public Security (MPS) to be the center in operating the actual tasks and implementing international conventions of combating transnational crime, terrorism, which specialized departments have been appointed to be directly responsible, such as: Investigative Police Department, Intelligence Police Department, Economic Police Department and others, which belongs to the General Police Department, as authorities to carry out case proceedings, monitoring, listing targets, covering news, investigation and coordination with related parties both domestically and internationally to prevent and solving the problem of terrorism. In addition, there is an appointment of the National Coordinating Committee on Anti-Money Laundering and the Counter Financing of Terrorism, which consists of senior staff from various relevant parties to manage at a macro level the work of anti-money laundering and counter financing of terrorism, with the Anti-Money Laundering Intelligence Office (FIU or AMLIO) serving as the secretariat.

In addition to the ministries appointed by the government, the Ministry of National Defense and the Ministry of Public Security have appointed a special committee responsible for emergencies including:

- Police Investigation Agency;
- Military Investigation Agency;
- Chemistry Department, Ministry of National Defense;
- Chemical Defense Battalion and Army Chemical Center;
- Riot police and traffic police officers;
- Fire police officers;
- Disaster Prevention Task Force of the Ministry of National Defense;
- Special Task Force for Emergency Prevention of the Ministry of Public Security;
- Medical teams of MPS, MND and hospitals in provinces and districts

3) Financing of Terrorism Control By Border Crossing Authorities

The Lao PDR has 29 international checkpoints, 19 local checkpoints and 52 traditional checkpoints, which are convenient places for Lao citizens and foreigners to travel in and out of the Lao PDR. It is also a problem that challenges the police officers in managing, preventing, monitoring, inspecting and suppressing illegal immigration and various types of criminal activities including and undertaking terrorism, money laundering and terrorism financing in any area of the Lao PDR and then fleeing across the border. In addition, there is also cooperation with other related officers stationed at the checkpoints in performing duties such as: physical inspection of individuals, vehicles and various types of belongings with the force of the officers and using the electronic tools system (scanners) to find illegal objects and prevent transnational crimes.

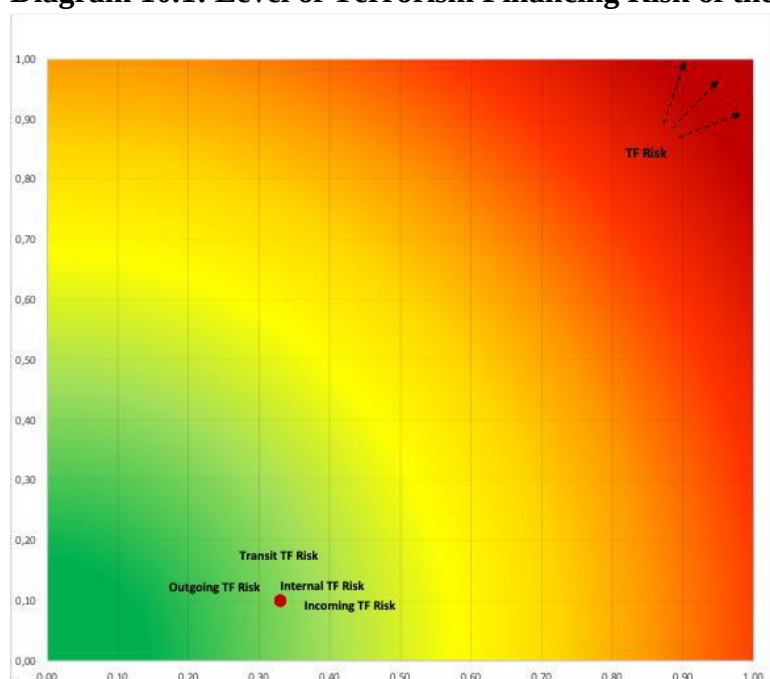
Table 10.2: TF Vulnerability Assessment Results

Vulnerability	Score	Risk Level
Domestic TF Vulnerability	0.33	Low
Incoming TF Vulnerability	0.33	Low
Outgoing TF Vulnerability	0.33	Low
Laos as Transit TF Vulnerability	0.33	Low

Data source: 2024 NRA Outcomes.

From the assessment results of each of the variables above, it shows that the assessment result of the national vulnerability of terrorism financing in the Lao PDR is at a **Low** level.

10.3.5. Summary of the Assessment Results

Diagram 10.1: Level of Terrorism Financing Risk of the Lao PDR

Data source: 2024 NRA Outcomes.

Through the assessment of terrorism financing by assessing the threat vulnerability, including the assessment of the risk assessment data of bordering countries, the risk level of terrorism financing in the Lao PDR can be assessed, namely internal TF risk is at a **Low** level, the incoming TF risk is at a **Low** level, the outgoing TF risk is at a **Low** level and the transit TF risk is at a **Low** level.

XI. Action Plan

Based on the results of the 2nd national risk reassessment, the Lao PDR has created an action plan to solve and reduce the risk by defining the problems that need to be solved, the responsible parties and the implementation time frame during 2024-2029, in which the implementation of AML/CFT risk solutions will be reviewed periodically.

Table 11.1: Action plan

No.	Main Factors of the Action	Principle Responsible Organization		Responsible Organization	Initial budget	Time Frame	
						2025	2026
I.	Policy on Risk Assessment for Anti-Money Laundering and Counter-Financing Terrorism	1.	Risk Implementation Plan by Phases				
		1.1.	Develop and approve an operational plan to reduce risks related to anti-money laundering and counter-financing terrorism activities.	- Ministry of Public Security	Relevant Ministries		
		1.2.	Encourage the progressive implementation of the risk mitigation plan in each phase.	- Ministry of Agriculture and Forestry - Ministry of Finance (supervisor of the casino sector, tax administration, and customs department)	AMLIO coordinates international assistance		
		2.	Review Process				
		2.1.	Conduct an annual review of the implementation of the risk mitigation plan for high-risk and medium-high risk areas , or as per the actual circumstances of each phase, to prevent new risks and ensure the reduction of high and medium-high risks.	- Bank of the Lao PDR (supervisor of the banking sector department)	Relevant Ministries		
		2.2.	Review the implementation of the risk mitigation plan every two years for medium-low and low-risk areas , or as per actual conditions in each phase, to prevent increased risk levels in those areas.	- Ministry of Natural Resources and Environment (supervisor of the real estate sector)	Relevant Ministries		

				- Ministry of Industry and Commerce (supervisor of the registration of legal entities and individuals involved in legal contracts) - Ministry of Home Affairs (supervisor of Lao social organizations, including foundations and associations) - Ministry of Foreign Affairs (supervisor of international non-governmental organizations)			
II.	Enhancing the efficiency of case management operations.	1.	Establishing and Improving Legal Frameworks				
		1.1.	Creating a legislation on financial investigation in parallel with predicate offense.	- MOPS - Customs Officers - Forestry Officers - State Inspection Authority - Office of the Securities Commission - Public Prosecutor	Relevant Ministries		

				- Supreme People's Court			
		2.	Enhancing prosecution ability on predicate Offenses, Money Laundering, and Financing of Terrorism Cases.				
		2.1.	Provide Training and Dissemination, Conduct training to increase financial investigation technique and used of intelligence in case handling. This training should target relevant central and local officials, including those at border crossings.	The Anti-Money Laundering Intelligence Office coordinates with investigations.	Anti-Money laundering intelligence office oversees requests for assistance from international organizations.		
		2.2.	Increase Coordination and Collaboration among investigative agencies, Prosecutor, courts, and other relevant entities to improve case handling, particularly focusing on the processes of investigation, prosecution, and adjudication in cases related to money laundering and terrorist financing, with a particular focus on threats within Laos.	- Security Protection - Tax Officers - Forestry Officers - State Inspection Authority - Office of the Securities Commission - Public Prosecutor - Supreme People's Court	AMLIO		
		2.3.	Establish Working Committees and Consultation Meetings Set up working groups and conduct regular consultations among case-handling agencies and related parties to share updates and discuss issues in combating money laundering, terrorist financing, and other relevant challenges.		AMLIO		
		2.4.	Develop a Data Collection System Establish a central data collection and analysis system within investigative agencies, the Public Prosecutor's		Relevant Ministries		

			Office, and courts to ensure efficient statistical reporting for international reporting.	- Anti-Money Laundering Intelligence Office - Ministry of Public Security			
		2.5.	Strengthen Local-Level Capacity Enhance the capacity of officials and organizations at the local level involved in handling money laundering and terrorist financing cases.		Relevant Ministries		
		2.6.	Promote Mechanisms for International Assistance Requests Improve official and unofficial channels for requesting information from international counterparts related to primary offenses that may escalate to money laundering and terrorist financing.		Relevant Ministries		
		2.7.	Enhance Identity Verification Infrastructure Continue improving foundational infrastructure to verify individual identities, allowing reporting entities to access reliable data sources.	- Ministry of Public Security	Ministry of Public Security		
III.	Enhance the effectiveness of inspections related to cash and similar instruments.	1.	Establish and Improve Legislation				
		1.1.	Create specific guidelines for border management.	Ministry of Finance	Relevant Ministries		
		2.	Enhance Capacity for Border Control, Cash Inspection, and Similar Tools				
		2.1.	Build capacity through training, focusing on the detection of smuggling valuable items, high-value goods, cross-border cash, wildlife parts, and other illegal items that may involve money laundering and organized crime concealment tactics.	Ministry of Finance	Relevant Ministries		
		2.2.	Use modern detection equipment to support customs operations at border points.	Ministry of Finance	The Ministry of Finance oversees requests for assistance from		

					international organizations.		
		2.3.	Strengthen cooperation and coordination between tax officials and relevant sectors, both domestically and internationally, for cross-border cash management and international crime prevention.	- Ministry of Finance - investigation - Foreign partner - AMLIO	Relevant Ministries		
IV.	Improve the quality of intelligence analysis work.	1.	Develop Capacity for Financial Intelligence Analysts				
		1.1.	Participate/organize training on financial intelligence analysis techniques for analysts.	AMLIO	AMLIO		
		1.2.	Participate/organize training on the use of modern technology systems that assist in financial intelligence analysis.	AMLIO	AMLIO		
		1.3.	Conduct training for reporting entities to improve the quality of suspicious transaction reports.	AMLIO	AMLIO		
		1.4.	Provide training on the use of data exchange systems for competent authorities	AMLIO	AMLIO		
		2.	Improve the Quality of Financial Intelligence Reports				
		2.1.	Research and update analysis formats and methods to adapt to changing circumstances from time to time	AMLIO	AMLIO		
		2.2.	Collaborate periodically with investigative and inspection officials to discuss the quality and data requirements from the anti-money laundering intelligence reports for quality enhancement.	AMLIO	AMLIO		
		2.3.	Strictly monitor compliance in reporting and data submission by reporting entities, and examine the enforcement of administrative measures for non-compliant REs.	AMLIO	AMLIO		

		2.4.	Upgrade the anti-money laundering data system periodically to meet data usage needs and international standards for confidentiality.	AMLIO	AMLIO		
V.	Effectiveness of the monitoring, Know Your Custom, and accessing to data sources of reporting entities	1.	Establish mechanisms and methods to support the management of anti-money laundering (AML) and counter-terrorism financing (CTF) efforts.				
		1.1.	Develop and uphold decrees defining the rights and responsibilities of ministries, organizations, and local governing bodies in implementing AML and CTF measures (revised version).	National Committee for Countering Money Laundering and Financing of Terrorism	Relevant Ministries		
		1.2.	Create and enhance regulations linked to the management of AML and CTF activities within each sector, ensuring that each unit understands and effectively carries out these measures.	- Ministry of Finance - Ministry of Natural Resources and Environment - Ministry of Home Affairs - Ministry of Foreign Affairs	Relevant Ministries		
		2.	Build specialized expertise in AML and CTF operations for reporting units.				
		2.1.	Conduct training sessions for all reporting units, including non-profit organizations, covering AML and CTF activities across all sectors.	Anti-Money Laundering Information Office Supervisory Authority (Ministry of Finance, Ministry of Natural Resources and Environment, Ministry of	Anti-Money laundering intelligence office oversees requests for assistance from international organizations.		

		2.2.	Develop monitoring, auditing, and evaluation plans for reporting entities to assess their compliance with AML/CTF obligations	Home Affairs, Ministry of Foreign Affairs)	Relevant Ministries		
		2.3.	Formulate a risk mitigation plan based on risk management principles for AML and CTF reporting REs		Anti-Money laundering intelligence office oversees requests for assistance from international organizations.		
		2.4.	Establish mechanisms to grant investigative agencies access to basic information from REs	Anti-Money Laundering Intelligence Office in coordination with Investigation	AMLIO		
		2.5.	Implement registration requirements for enterprises registered with relevant sectors, including knowledge of both domestic and international shareholders and modern record-keeping systems.	Ministry of Industry and Commerce	Ministry of Industry and Commerce		
VI.	Domestic and International Coordination	1.	Expand the scope of domestic and international cooperation, with a particular focus on bilateral information exchange.				
		1.1.	Broaden cooperation by signing memorandums of understanding (MOUs) or using other methods with partner countries.	All Relevant sectors	Relevant Ministries		
		1.2.	Expand cooperation through signing MOUs or other methods between relevant parties to facilitate the mutual exchange of intelligence and information.	All Relevant sectors	Relevant Ministries		
		2.	International cooperation				
		2.1.	Develop and seek assistance in implementing up-to-date technology or internationally standardized systems	All Relevant sectors	Relevant Ministries		

			as support tools, and establish the framework for international cooperation, especially for inter-country data exchange.				
		2.2.	Increase the scope of international cooperation and seek comprehensive assistance from various countries and international organizations, focusing on funding and technical knowledge for personnel within the ministries and organizations involved in the anti-money laundering and counter-terrorism financing efforts in the Lao PDR.	All Relevant sectors	Relevant Ministries		

Data source: 2024 NRA Outcomes.