



**1<sup>st</sup> Follow-Up Report**

# Mutual Evaluation of Lao PDR

October 2024





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Cover image: Kuang Si Waterfalls, Lao PDR.

# LAO PDR

## 1<sup>ST</sup> ENHANCED (EXPEDITED) FOLLOW-UP REPORT 2024

### I. INTRODUCTION

1. The mutual evaluation report (MER) of Lao PDR was adopted in July 2023.
2. This FUR analyses the progress of Lao PDR in addressing the technical compliance requirements of the Recommendations being re-rated. Technical compliance re-ratings are given where sufficient progress has been demonstrated.
3. This report does not analyse any progress Lao PDR has made to improve its effectiveness.
4. The assessment of Lao PDR's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:
  - *Daisy Hsu, the Ministry of Justice Investigation Bureau, Chinese Taipei*
  - *Dominicus Suseno, the Indonesian Financial Intelligence Unit, Indonesia*
  - *Ian McDonald, Royal Canadian Mounted Police, Canada*
  - *K A Supun S Gunasekara, Central Bank of Sri Lanka, Sri Lanka*
  - *Katie Andrews, the Australian Federal Police, Australia*
5. The preparation of the report was supported by Steve Munro, Bailey Reinke and Sylvia Deutsch of the APG Secretariat, with additional support of other Secretariat members.
6. Section IV of this report summarises the progress made to improve technical compliance. Section V contains the conclusion and a table illustrating Lao PDR's current technical compliance ratings.

### II. FINDINGS OF THE MUTUAL EVALUATION REPORT

7. Lao PDR current ratings<sup>1</sup> are follows:

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Low	Mod	Low	Low	Low	Low	Low	Low	Mod	Low	Low

R.	Rating	R.	Rating
1	PC (2023 MER)	21	PC (2023 MER)
2	LC (2023 MER)	22	PC (2023 MER)

<sup>1</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

<b>R.</b>	<b>Rating</b>	<b>R.</b>	<b>Rating</b>
3	PC (2023 MER)	23	NC (2023 MER)
4	PC (2023 MER)	24	NC (2023 MER)
5	NC (2023 MER)	25	NC (2023 MER)
6	PC (2023 MER)	26	PC (2023 MER)
7	PC (2023 MER)	27	LC (2023 MER)
8	NC (2023 MER)	28	NC (2023 MER)
9	LC (2023 MER)	29	PC (2023 MER)
10	PC (2023 MER)	30	LC (2023 MER)
11	PC (2023 MER)	31	PC (2023 MER)
12	NC (2023 MER)	32	LC (2023 MER)
13	LC (2023 MER)	33	PC (2023 MER)
14	PC (2023 MER)	34	NC (2023 MER)
15	NC (2023 MER)	35	PC (2023 MER)
16	PC (2023 MER)	36	PC (2023 MER)
17	N/A (2023 MER)	37	LC (2023 MER)
18	LC (2023 MER)	38	PC (2023 MER)
19	PC (2023 MER)	39	PC (2023 MER)
20	PC (2023 MER)	40	PC (2023 MER)

8. Given these results and the effectiveness ratings, Lao PDR is on enhanced (expedited) follow-up.<sup>2</sup>

### **III. PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

9. In keeping with the APG ME Procedures, this FUR considers progress made up until 1 October 2024 and considers progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review, noting that this is cursory where the legal, institutional or operational framework is unchanged since the MER or previous FUR. This report does not address the progress Lao PDR has made to improve its effectiveness.

10. This section summarises the progress made by Lao PDR to improve its technical compliance by implementing requirements in place at the time of the MER.

#### **Progress to address technical compliance deficiencies identified in the MER.**

11. Lao PDR requested re-ratings of R.5 (which was rated NC); and R.3, R.11, R.19, R.20, R.21, R.29, R.31 and R.38 (which were rated PC).

12. The APG welcomes the steps that Lao PDR has taken to improve its technical compliance with R 3, R.5, R.11, R.19, R.20, R.21, R.29, R.31 and R.38. As a result of this progress, Lao PDR has been re-rated on R.3, R.5, R.11, R.20, R.21, R.29, R. 31 and R.38.

<sup>2</sup> There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Mutual Evaluation Procedures.



*Recommendation 3 [R.3] (Originally rated partially compliant)*

13. Lao PDR was rated PC for R.3 in its 2023 MER. The report noted Lao PDR enacted the Law on Anti-Money Laundering (AML)/Counter-Financing of Terrorism (CFT) in 2015 and the Penal Code in 2017 to criminalise ML. The application of these two statutes was unclear and each had deficiencies: the Law on AML/CFT was seriously deficient in its list of predicate offences, linking all crimes to those that ‘cause ML’; and the Penal Code had serious deficiencies in that it lacked a definition of ‘predicate offences’ and thus had no underlying offences to its ML offence. There were also shortcomings in relation to the quantum of penalties for both natural and legal persons in relation to ML. In particular, the penalties for legal persons in the Penal Code were too low and therefore not dissuasive. Moreover, there were limitations on the application of the ML offence to offences committed outside of Lao PDR.

14. **Criterion 3.1** is *met*. As noted previously in its 2023 MER, ML in the Law on AML/CFT and the Penal Code were inconsistent with Article 6 of UNTOC and between themselves and the scope of the ML offence was restricted. Since the 2023 MER, Lao PDR has amended the AML/CFT Law from No.50/NA dated 14 July 2014 to amended version No 64/NA, dated 1 July 2024, which now provides provisions that are consistent with the Vienna Convention and the Palermo Convention. The definition of ML stated in Article 9(1) of the amended AML/CFT Law is now consistent with Article 6(1) of UNTOC and Article 3(1)(b) and (c) of Vienna Convention, referring to acts of “Conversion or transfer of funds.” Article 9(1) also covers the specific intent of offences that lead to money laundering. Conspiracy is now defined as one of acts of ML defined under Article 9(4) of the amended AML/CFT Law, as in addition to other ML ancillary offences, aligned with the Article 6(1)(b)(2) of UNTOC. The amended AML/CFT Law also includes the element of ‘genuine ownership transfer funds.’ This provision addresses the issue of inconsistency in defining ML acts as highlighted in the 2023 MER.

15. The amendment to the Law on AML/CFT came into effect on 01 November 2024 replacing the AML/CFT Law No. 50/NA and Articles 120 (only first paragraph), 130, 131 of the Penal Code No. 26/NA, dated 17 May 2017 (Article 59 of the amended AML/CFT Law).

16. **Criterion 3.2** is *met*. The 2023 MER identified that only a limited number of criminal offences satisfied FATF’s list of designated offences. With amendments to the AML/CFT Law, Article 11 includes a more comprehensive definition of predicate offences, in compliance with the scope of FATF’s designated categories of offences. All criminal serious offences include offences committed outside the territory of the Lao PDR that constitutes a predicate offence in that country and that constitute a predicate offence if it occurred in Lao PDR. The list of predicate offences is broadly defined by laws, including counterfeiting and piracy of products which are specifically addressed under the Law on Intellectual Property Rights (No.50/NA, dated 20 November 2023). The 2017 Penal Code (Article 44) criminalises the illicit trafficking of stolen and other goods. Proceeds from these predicate offences include any funds or properties derived directly or indirectly from such crimes, as well as any transformed assets or returns of investment.

17. **Criterion 3.3** is *met*. Lao PDR 2023 MER found that in the 2014 Law on AML/CFT, predicate offences were limited to those that ‘are the causes of money laundering’ and in the Penal Code predicate offence was undefined. The new amendment to AML/CFT Law in 2024, removed the wording of ‘are the causes of money laundering’ that had limited the

understanding of predicate offences. Lao PDR applies a threshold approach with a non-exhaustive list (Article 11 of the amended AML/CFT Law), to the degree of the severity of offences as stipulated under Articles 62 and 63 of the 2017 Penal Code. Under Article 11, defines predicate offences refer to all criminal serious offences listed as predicate offences under the law.

18. **Criterion 3.4** is *met*. Deficiencies noted in the 2023 MER indicate that the definition of ‘funds’ in the AML/CFT Law did not align with the FATF definition, and the Penal Code lacked definitions for ‘funds’ or ‘property.’ However, since 2023 MER, Lao PDR has amended Article 3(3) of the amended AML/CFT Law which offers a comprehensive definition of ‘funds’, including both ‘corporeal or incorporeal’ assets, along with ‘tangible and intangible’ assets. This definition also encompasses ‘property’ as all legal documents or instruments that evidence title or interest. Thus, Article 3 of the amended AML/CFT Law now meets the requirements of c.3.4.

19. **Criterion 3.5** is *met*. The 2023 MER identified deficiencies to the Penal Code which required a conviction for a predicate offence to prosecute ML. However, with the amendment to the AML/CFT Law, this requirement has changed. Article 130 of the Penal Code has been replaced, eliminating the ambiguity regarding the need for a predicate offence conviction. The amended law now allows parallel prosecutions for ML alongside predicate offences and permits prosecution of ML even when no predicate offence is found or if it occurred abroad (Article 34). The report highlighted that all previous ML prosecutions have involved self-laundering and were linked to relevant predicate offences. It is now the responsibility of Lao PDR’s prosecution authorities to apply the new legal provisions for ML prosecutions, regardless of predicate offence convictions. Additionally, Article 10 of the amended AML/CFT Law outlines four forms of ML: self-money laundering, third party ML, standalone ML, and ML involving predicate offences abroad.

20. **Criterion 3.6** is *met*. In the 2023 MER, a significant deficiency was identified with the Penal Code as the legislation did not include conduct committed by legal persons. To address this issue, the amendment to the AML/CFT Law introduced several key provisions aligning with criterion c.3.6. Article 9 of the amended AML/CFT Law broadens the definition of ML to include offences committed by natural persons, legal persons, and organisations, both domestically and internationally. Additionally, Article 11 expands the scope of predicate offences to encompass all serious crimes, including those committed outside Lao PDR that qualify as predicate offences in the relevant foreign jurisdiction, as well as those committed within Lao territory. Moreover, Article 8 affirms that the AML/CFT Law applies to all natural persons, legal persons, and organisations—whether local or foreign—irrespective of their location. In summary, the amendments to the AML/CFT Law effectively rectify the previously identified deficiencies regarding the treatment of legal persons in the context of financial crimes.

21. **Criterion 3.7** is *met*. No specific deficiencies were identified in 2023 MER. Article 10 of the amended AML/CFT Law ‘Self Money Laundering’ as a form of ML. Therefore, the available material supports the criterion rating as *met*.

22. **Criterion 3.8** is *met*. The 2023 MER noted that the Penal Code did not include comprehensive inclusion of objective evidence—such as documents, third-party behaviour, and statements—in determining intent and knowledge related to ML offence. Article 12 explicitly confined the subjective aspect of an offence to the offender's attitude and state of

mind as shown through behaviour, while the objective aspect is limited to the offender's visible actions. This narrow interpretation excluded vital objective facts essential for proving intent and knowledge. Clauses (1) and (2) of Article 9 in the amended AML/CFT Law acknowledge intent in relation to ML offences. The term 'event or evidence' in Clause 2 can be interpreted as 'objective factual circumstances,' aligning with the requirements of criterion 3.8. Therefore, criterion 3.8 has been re-rated as 'met'.

23. **Criterion 3.9** is *met*. The enactment of the amended AML/CFT Law No. 64/NA replaces provisions under Article 130 of the Penal Code No. 26/NA, dated 17 May 2017. Proportionate and dissuasive criminal sanctions should apply to natural persons convicted of ML. There were no deficiencies identified in the 2023 MER. Therefore, criterion 3.9 is met.

24. **Criterion 3.10** is *mostly met*. The 2023 MER highlighted significant deficiencies in the sanctions applied to legal persons under the Penal Code, indicating they are not sufficiently dissuasive. Although the amended AML/CFT Law includes provisions in Article 55 against violations by natural and legal persons, Article 56 limits criminal measures solely to natural persons guilty of money laundering (ML), leaving a gap regarding the penalties applicable to legal persons. Article 89 of Penal Code No. 26/NA establishes criminal liability for legal persons when offenses are committed on their behalf or in their interest. Furthermore, Article 90 stipulates that fines for legal persons shall be double those imposed on natural persons. However, while fines under Article 90 are considered proportionate and dissuasive for Lao PDR legal persons, they are not considered dissuasive for foreign legal persons.

25. The amended AML/CFT Law, particularly Article 56, allows for proportional fines rather than fixed amounts for ML offences, and empowers courts to impose additional sanctions, such as business dissolution, operational prohibitions ranging from one to five years, and restrictions on fund mobilisation and payment methods for 5 years. Courts may also confiscate property or mandate reparations. Critically, the criminal liability of legal persons does not absolve the liability of the individuals acting on their behalf, as noted in Article 89 of the Penal Code. Additionally, Article 88 clarifies that offences committed by a legal person are attributable to its agents or representatives. Taking into consideration the above facts, criterion 3.10 is mostly met.

26. **Criterion 3.11** is *met*. As identified in the 2023 MER, under Article 6 of the AML/CFT Law, the framework acknowledged various ancillary offences such as being an accomplice in planning, attempting, aiding, encouraging, or facilitating crimes. However, it notably omits conspiracy. In contrast, Article 9(4) of the amended AML/CFT Law rectifies this by explicitly including conspiracy alongside other ancillary offences, thereby encompassing participation in planning, assisting, implementing, and advising on the commission of crimes, including attempts to commit these acts. Therefore, criterion 3.11 is now met.

#### *Weighting and conclusion*

27. The enactment of the amended AML/CFT Law No. 64/NA, effective from 1 November 2024, addresses the deficiencies identified in the previous AML/CFT Law No. 50/NA (2014) and the Penal Code No. 26/NA (2017), particularly regarding the criminalisation of ML offences, as previously highlighted in the 2023 MER. The amendments introduce new provisions that significantly enhance the definition of ML offences, expand coverage of predicate offences, and refine the definition of proceeds of crime. The amended law aligns with international standards, including Article 6(1) of the UN Convention against Transnational Organized Crime (UNTOC) and Article 3(1)(b) and (c) of the Vienna Convention, notably incorporating 'conspiracy' as an ancillary offence. Additionally, the revisions allow for parallel prosecution of ML and related predicate offences, including standalone ML cases and offences

committed outside the territory of the Lao PDR by both individuals and entities. The revised regulations also tackle shortcomings noted in the 2023 MER concerning penalties for ML offences. The law now mandates fines proportionate to the amount involved in the laundering activity and introduces a comprehensive range of criminal, civil, and administrative sanctions applicable to both individuals and legal entities, thus enhancing their deterrent effect. However, a minor deficiency remains in compliance with Recommendation c.3.10, as the AML/CFT law currently specifies criminal measures solely for natural persons committing ML offences (Article 56) except for the provisions in the penal code. This limitation leaves the application of dissuasive penalties particularly for foreign legal persons in cases of ML conviction unresolved.

28. ***Recommendation 3 is re-rated largely compliant.***

***Recommendation 5 [R.5] (Originally rated non-compliant)***

29. Lao PDR was rated NC for R.5 in its 2023 MER. The report noted the Penal Code and the Law on AML/CFT defined the TF offence differently and inconsistently with the TF Convention; and both defined the offence in terms only of ‘attempts’ to provide funds. Lao PDR has established a legal framework against TF, however, there were serious deficiencies in the structure and application of the offence. It was not clear under the Penal Code whether TF was a predicate offence to ML. The available sanctions for both natural and legal persons are not wholly dissuasive.

30. **Criterion 5.1** is *met*. The 2023 MER highlighted inconsistencies between the definitions of TF offences in the Penal Code and the AML/CFT law compared to the TF Convention. Not all acts outlined in the TF Conventions were criminalised. In July 2024, the AML/CFT Law was amended, specifically through Article 59, which updated clauses in the Penal Code. The criminalisation of TF offences has now been transitioned to Chapter 2 of the revised AML/CFT Law, specifically Articles 12 and 13. Article 12 now aligns with Article 2 of the TF Convention, defining TF offences comprehensively: it criminalises any person or entity that unlawfully and wilfully provides or collects funds with the knowledge that they will be used for terrorism, regardless of the source. Article 13 addresses acts of terrorism in line with Article 2(1) of the TF Convention, defining terrorism as actions that threaten life, health, or freedom and involve coercion or intimidation to instil fear in citizens or compel action by the state or international organisations. The TF Convention requires criminalisation of all conducts in the annexed Conventions and Lao PDR is a party to all nine treaties. Therefore, criterion 5.1 is now met.

31. **Criterion 5.2** is *met*. The 2023 MER identified key deficiencies in Lao PDR's legal framework concerning TF offences. Initially, the Law on AML/CFT and the Penal Code were limited to criminalising only 'attempts' at such offences, lacking coverage for full actions as outlined in the TF Convention. To address these deficiencies, significant amendments were made to the AML/CFT Law in July 2024. Specifically, Article 59 replaced Clause 1 of the Penal Code's Actions 120 and 130, transferring the authority to criminalise TF offences to Chapter 2 of the amended AML/CFT Law (Articles 12 and 13). The revised Article 12 now aligns with Articles 2(4) and (5) of the TF Convention, broadening the definition of TF offences. It includes provisions for the intentional provision or collection of funds or assets with the knowledge that they will be used for terrorism-related activities. This encompasses not only the commission of offences but also attempts, accomplice participation, planning,



aiding, and directing others in these illicit acts. As a result of these amendments, the deficiencies highlighted in the 2023 MER have been effectively addressed, strengthening Lao PDR's legal framework against TF.

32. **Criterion 5.2bis** is *met*. The 2023 MER highlighted that the AML/CFT Law and the Penal Code did not criminalise the financing of individuals' travel for terrorist purposes. Since the 2023 MER, the deficiency has been addressed through Article 12 of the amended AML/CFT Law, which now aligns with UNSCR 2178. This article explicitly criminalises the financing of travel for individuals who journey to other states with the intent to plan, prepare, or participate in terrorist activities or to receive terrorist training. In conclusion, the issue regarding the criminalisation of financing travel for terrorism has been addressed.

33. **Criterion 5.3** is *met*. The 2023 MER noted that the AML/CFT Law and the Penal Code lacked references to the legitimacy of fund sources. The amendments to the AML/CFT Law include a new definition of TF in Article 12, clarifying that funds may come from both legitimate and illegitimate sources, aligning with international standards. Article 12 now aligns with Article 1(1) of the Terrorist Financing Conventions, stating that financing terrorism constitutes the unlawful and intentional provision or collection of funds from any source, destined for terrorist activities. Additionally, Article 3(3) of the amended law confirms that the definition of "funds" is consistent with both the TF Convention and FATF standards.

34. **Criterion 5.4** is *met*. In the 2023 MER, a deficiency was identified in the former AML/CFT Law, stating that it required funds to be explicitly linked to a terrorist act. Additionally, the Penal Code did not mandate that funds or properties be used in the commission or attempted commission of a terrorist act. To address these deficiencies, the AML/CFT Law was amended in July 2024. Notably, Article 59 replaced certain clauses in Articles 120 and 130 of the Penal Code, shifting the reference for criminalising TF offences to Chapter 2 of the revised AML/CFT Law (Articles 12 and 13). The revised Article 12 now aligns with the standards set forth in Article 1(3) of the TF Convention, allowing for prosecution of TF offences without the requirement that funds or assets were necessarily used for or linked to specific terrorist acts.

35. **Criterion 5.5** is *met*. The 2023 MER noted a deficiency regarding the Penal Code's limitation of the TF offence to the offender's specific 'behaviour.' This issue has been resolved through the amendment of Article 12 of the AML/CFT Law, which now meets the requirements outlined in criterion c.5.5. The revised Article allows for intent and knowledge related to a TF offence to be inferred from objective factual circumstances, broadening the scope of prosecution. Thus, the previous limitation regarding the TF offence has been effectively addressed.

36. **Criterion 5.6** is *mostly met*. A significant deficiency identified in the 2023 MER was related to the dissuasiveness of fines imposed for TF offences. Since the 2023 MER, Article 57 of the amended AML/CFT Law provides a provision of penalty, including imprisonment and fines, for natural persons convicted of a TF offence which is deemed insufficiently dissuasive, as it falls within the lower 31% range of sentencing practices among surveyed countries.

37. For TF offences exceeding LAK 1,000,000,000, the imprisonment term of 8 to 12 years is viewed as dissuasive, positioned within the 55% range of average sanctions across 172 countries. Moreover, a fine equal to 100% of the financing amount could be dissuasive if it

exceeds the USD 62,000.00 threshold. However, the impact of property confiscation as a deterrent varies, depending on the perpetrator's asset holdings.

38. Clause 3 of Article 57 addresses criminal measures for organised groups or habitual offenders committing TF offences. While the imprisonment penalty of 15 to 20 years may be dissuasive (around the 65% mark of average international sanctions), the effectiveness of additional property confiscation remains uncertain, influenced by the individual's asset value.

39. Overall, the deficiency concerning the dissuasiveness of fines for natural persons is not fully addressed. The documentation provided lacks clarity on the feasibility and impact of property confiscation regarding the overall dissuasiveness of criminal sanctions for TF offences.

40. **Criterion 5.7** is *partly met*. The 2023 MER identified that the fines imposed on legal persons were deemed neither proportionate nor dissuasive. Article 57 of the amended AML/CFT law outlines criminal measures for financing terrorism for natural persons. Since the 2023 MER, there is no amendment to Lao PDR's Penal Code which outlines the criminal liability of legal persons (Article 89) and the prescription of a penalty on legal persons (Article 90). Therefore, although stronger fines and confiscation measures have now been introduced for legal persons; they still do not appear to be proportionate or dissuasive in the context of CFT. The review of the documentation provided to the review team as part of current reporting period, revealed that the criminal liability or sanctions applicable to legal persons on TF offences were not sufficient to warrant an upgrade on the current rating. Therefore, the issues regarding the proportionality and deterrent effect of fines remain unaddressed as identified in the 2023 MER.

41. **Criterion 5.8** is *met*. The 2023 MER noted that the coverage of ancillary offences in the Penal Codes was limited to attempts, and the AML/CFT Law's definition of a TF offence was inadequate. The 2024 amendment to the AML/CFT Law, specifically Article 59, replaces Article 131 of the Penal Code. The revised definitions in Article 3(1) and (2) align with the TF Convention requirements (Articles 2(4) and 2(5)). They establish a comprehensive framework for ancillary offences related to TF, defining a "Terrorist" or "Terrorist Organisation" as any individual or group that unlawfully and intentionally commits or attempts to commit terrorist acts, participates as an accomplice, organises others, or contributes knowingly to such acts. As a result, the deficiencies noted in the 2023 MER regarding ancillary offences to the TF offence have been effectively resolved.

42. **Criterion 5.9** is *met*. The 2023 MER noted that TF was not explicitly recognised as a predicate offence for ML. The amended AML/CFT Law now includes Article 11, which outlines the scope of predicate offences in alignment with FATF Recommendation 3. This article explicitly includes 'terrorism and financing of terrorism' as predicate offences for ML. This clarification corresponds with the definition of ML found in Article 9(2) of the same law. The deficiency regarding the classification of TF as a predicate offence for ML has been effectively addressed.

43. **Criterion 5.10** is *met*. Lao PDR law did not recognise that TF offences committed abroad were applicable within Lao PDR. The amended AML/CFT Law's Article 12 clarifies the definition of TF, resolving judicial issues related to the applicability of TF offences. It aligns with FATF Recommendation 3 concerning ML and adheres to the aims of UNSCR 1373, which asserts that TF offences are applicable regardless of the location of the alleged offender or the occurrence of the terrorist acts. Consequently, the previously noted deficiency regarding the applicability of foreign TF offences in Lao PDR law has been effectively addressed.

### *Weighting and conclusion*

44. The amended AML/CFT Law, effective 1 July 2024, replaces the previous law (No. 50/NA, July 21, 2014) and relevant articles from the Penal Code (No. 26/NA, May 17, 2017). The recent legislative reforms in Lao PDR have largely addressed the requirements for criminalising TF, aligning the definition of TF offences with the TF Convention. Notably, the updated law explicitly criminalises TF as a separate offence, encompassing financing for foreign terrorist fighters and covering a wide definition of funds from both legitimate and illegitimate sources. The reforms allow for the inference of intent and knowledge based on objective circumstances, introduce ancillary offences associated with TF, resolve jurisdictional concerns, and classify TF as a predicate offence for ML. However, some deficiencies noted in the 2023 MER remain unaddressed. Although sanctions for both individuals and entities have increased, they still lack sufficient deterrent effect (dissuasive).

45. ***Recommendation 5 is re-rated largely compliant.***

### ***Recommendation 11 [R.11] (Originally rated partially compliant)***

46. Lao PDR was rated PC for R.11 in its 2023 MER. The report noted Lao PDR meets some record keeping requirements. However (1) there is no requirement to maintain records on results of any analysis undertaken; (2) the laws do not specify the time period for holding records on account files (the FATF requires they be kept for 5 years following the termination of the business relationship); (3) there is no requirement to hold business correspondence; and (4) there is no requirement that CDD information be provided swiftly to domestic competent authorities.

47. **Criterion 11.1** is *met*. No specific deficiencies were identified in 2023 MER.

48. **Criterion 11.2** is *met*. The 2023 MER revealed critical gaps, including an absence of requirements to maintain records of analysis results, unclear specifications regarding the retention period for account files, and a lack of obligation to preserve business correspondence. The amended Article 25 of the Law on AML/CFT now mandates that reporting entities retain all relevant records, including business correspondence, customer due diligence (CDD) documentation, account files, and analysis records, for a minimum of ten years. This retention period exceeds the FATF recommendation of five years. The deficiencies highlighted in the 2023 MER have been successfully addressed.

49. **Criterion 11.3** is *met*. No specific deficiencies were identified in 2023 MER. Previously, the general requirement on record keeping was supplemented by sectoral requirements in banking and securities sectors. The amended Law on AML/CFT is sufficient to cover all relevant reporting entities, and the requirement to hold transaction records for 10 years following each transaction remains sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity.

50. **Criterion 11.4** is *met*. The 2023 MER noted the absence of a requirement for reporting entities to provide records ‘swiftly’ upon request to competent authorities. Article 25 of the amended AML/CFT law now mandates that reporting entities must swiftly supply necessary information to the Anti-Money Laundering Intelligence Office (AMLIO) and other relevant authorities. The deficiencies highlighted in the 2023 MER have been effectively addressed.

### *Weighting and conclusion*

51. In the 2023 MER, Lao PDR was rated as partially compliant with Recommendation 11 due to a lack of explicit legal requirements for REs to maintain records of analyses conducted or to specify retention periods for account files. Previously, there was also no obligation to retain business correspondence or to promptly provide CDD information and transaction records to competent authorities. These deficiencies have been rectified by the revised Article 25 of the AML/CFT Law (amended version No. 64/NA, dated 1 July 2024). As a result, Lao PDR is now re-rated as compliant with Recommendation 11.

52. ***Recommendation 11 is re-rated to compliant.***

### ***Recommendation 19 [R.19] (Originally rated partially compliant)***

53. Lao PDR was rated PC for R.19 in its 2023 MER. The report noted Lao PDR lacks measures to ensure that countermeasures are applied proportionate to risk and that all FIs are advised of concerns about the weaknesses in the AML/CFT systems of other countries. There is no list of specific countermeasures that may be imposed by Lao PDR, nor by REs.

54. **Criterion 19.1** is *met*. No specific deficiencies were identified in 2023 MER.

55. **Criterion 19.2** is *partly met*. The 2023 MER noted that Lao PDR did not have any legal and regulatory frameworks mandating authorities to implement countermeasures proportionate to the risks as required under c.19.2.

56. Since 2023 MER, the issuance of the Decision on Organization and Operations of AMLIO (Revised) on 1 October 2024 (The 1 October 2024 Decision) now explicitly requires REs to apply countermeasures proportionate to the risk towards high-risk jurisdictions (Article 34 of the Agreement of AML/CFT Measures for REs, and Articles 3 and 10 of the 1 October 2024 Decision). The Bank of Lao PDR also issued a Notification Letter No: 382/AMLIO on 3 March 2025 (the Notification Letter) to Directors of Commercial Banks, Branches of Foreign Commercial Banks, Designated non-financial institutions, and Payment Service Providers.

57. However, moderate deficiencies are still identified in compliance with c.19.2, such as (a) countermeasures are not defined, nor is there any guidance on what the word ‘countermeasures’ means or the scope of any measures available; (b) current regulatory frameworks lack clarity on the requirement for REs to apply countermeasures proportionate to the level of risk; (d) it is unclear whether the FATF is the referenced ‘relevant international organization’ identifying and listing high-risk jurisdictions (as required under c.19.2(a)); and (e) the references to “high-risk jurisdictions as per international organization listed from time to time” do not demonstrate that Lao PDR can independently identify high-risk jurisdictions and impose countermeasures based on its own risk assessments, without reliance on FATF or similar listings, as required under c.19.2(b).

58. Furthermore, both the 1 October 2024 Decision and the Notification Letter are not legally binding, therefore it is unclear on how the aforementioned mandatory requirements can be imposed, as aligned with c.19.2. In addition, although the Notification Letter provides clarity and specificity regarding the countermeasures implemented by Lao PDR in line with c.19.2, however, it was issued outside the designated Follow-Up reporting period of 1 October 2024, therefore, it cannot be considered in this for the current Follow-Up review.

59. **Criterion 19.3** is *partly met*. As highlighted in the 2023 MER, Lao PDR did not ensure that FIs were advised of concerns about weaknesses in the AML/CFT systems of other

countries. Article 48 of the amended AML/CFT Law defines the responsibilities of the Anti-Money Laundering Intelligence Office (AMLIO). However, it does not impose specific obligations on AMLIO or regulatory bodies to consistently communicate concerns regarding the AML/CFT weaknesses of other jurisdictions. While Article 48 (8) and (13) mandates AMLIO to promptly notify REs of the use of provisional measures, it lacks clarity on the mechanisms for informing FIs about jurisdictions identified as high-risk in their AML/CFT systems measure to clients and the lists related to ML and TF. As mentioned above, in March 2025, AMLIO, Bank of Lao PDR issued a Notification to reporting entities under the supervision of the Bank of the Lao PDR ensuring the application of appropriate measures when conducting business transactions and activities with entities in jurisdictions under increased monitoring by FATF (grey list and blacklist). However, this Notification cannot be included in this Follow-Up Review, as it falls outside the designated Follow-Up reporting period of 1 October 2024. The gap in relation to the compliance under this criterion remains, including the need for established protocols to ensure timely and transparent communication to FIs regarding international AML/CFT risks.

### *Weighting and conclusion*

60. Article 20 of the new AML/CFT law mandates that REs implement EDD for business relationships or transactions involving individuals or organisations from countries lacking effective AML/CFT laws, or where enforcement is weak and listed by international sanctioning bodies. Lao PDR has made efforts in improving their countermeasures by issuing the Decision on Organization and Operations of AMLIO (Revised) which provides power for AMLIO to consider in issuing notifications to reporting entities to apply appropriate measure in service or establish business relation or conducting transaction with customer from high-risk jurisdiction. The current regulatory frameworks, as reported per 1 October 2024 do not explicitly define the role of the AMLIO or other authorities in advising reporting entities regarding high-risk countries within their AML/CFT frameworks. Therefore, moderate deficiencies are still identified in relation to c.19.2 and c.19.3.

61. ***Recommendation 19 remains partially compliant.***

### *Recommendation 20 [R.20] (Originally rated partially compliant)*

62. Lao PDR was rated PC for R.20 in its 2023 MER. The report noted that Lao PDR had a limited framework for reporting of suspicious transactions, and that STRs must be linked to ML and TF, and not more widely to the proceeds of criminal activity. In addition, STRs were not reportable 'promptly', and not all predicate offences were included for the purpose of reporting suspicious transactions.

63. **Criterion 20.1** is *met*. The 2023 MER noted that Lao PDR laws stipulated that STRs must be filed only if linked to ML and TF, excluding a wider range of criminal activities. Additionally, there were inconsistencies regarding the timeliness of filing STRs, particularly the definition of 'promptly.' These issues are compounded by deficiencies related to predicate offences in Recommendation 3. In 2024, the amended AML/CFT Law broadens the obligation to file STRs to include not only ML and TF but also transactions associated with general criminal activities. Article 27 mandates that reporting entities submit STRs to the AMLIO promptly, thus addressing the identified deficiencies.

64. **Criterion 20.2** is *met*. The 2023 MER pointed out that there was a requirement mandates the filing of STRs for attempted transactions, but only if they are linked to ML or



TF. This reflected the deficiencies noted in criterion 20.1. Since the 2023 MER, the amended AML/CFT Law, specifically Article 27, expands the obligation to file STRs, now requiring reporting of all suspicious transactions, including those with reasonable grounds to suspect they may involve proceeds of crime, as well as attempts to conduct such transactions. This includes all customer attempts, irrespective of the transaction amount. Thus, the previously identified deficiency in criterion 20.2 has been effectively rectified.

#### *Weighting and conclusion*

65. Article 8 of the 2014 AML/CFT Law has been repealed. The obligation to file STRs has been broadened to include ML, TF and any funds suspected to be proceeds of criminal activity, as well as attempted transactions, regardless of the amount. Under Article 27 of the amended AML/CFT Law, REs are required to promptly submit STRs AMLIO. Consequently, the deficiencies identified in the 2023 MER have been effectively resolved.

66. ***Recommendation 20 is re-rated compliant.***

#### ***Recommendation 21 [R.21] (Originally rated partially compliant)***

67. Lao PDR was rated PC for R.21 in its 2023 MER. The report noted that directors of FIs are not protected from liability when reporting STRs to AMLIO. Also, the requirement for postponing transactions of customers who are suspected of ML/TF may result in tipping-off the customer. Civil liability protections are not included in the law for staff, and others, in FIs for disclosure of customer information.

68. **Criterion 21.1** is *mostly met*. The 2023 MER highlighted that directors of FIs lack protection from both criminal and civil liabilities, particularly from civil actions initiated by customers. The amended AML/CFT Law, specifically Article 6, offers legal protection to FIs and their personnel, including directors and managers, when submitting STRs to the Financial Intelligence Unit (FIU) in good faith. However, the law does not explicitly extend this safe harbor to cases where the reporter is unaware of the specific details of the criminal activity or whether the activity has occurred. Lao PDR's 2023 MER reaffirmed that the good faith standard applies consistently with Article 32 of the 2014 AML/CFT Law, thereby protecting FIs' management and staff under similar circumstances. Moreover, the law's scope of protection extends to informants, witnesses, experts, and family members, even though these parties are not mandated to report suspicious activities, creating ambiguity in the protection framework. While this broader provision exceeds FATF standards, there is a lack of clarity regarding the consequences for individuals who improperly disclose information. Article 29 outlines obligations around confidentiality, which helps mitigate concerns surrounding this issue. As a result, the aforementioned gap is considered minor, allowing for a re-rating of criterion 21.1 to "largely met."

69. **Criterion 21.2** is *met*. The 2023 MER noted that the previous requirement to postpone transactions suspected of ML/TF for three working days could alert customers, potentially compromising investigations. The amended AML/CFT Law now does not have a provision of transaction deferral. The reporting confidentiality, which was previously implemented under Article 32 of the 2015 AML/CFT Law, is now outlined under Article 29 of the amended AML/CFT Law, prohibiting directors, officers, and employees of REs from disclosing the submission of STRs to AMLIO or any related information. REs must maintain confidentiality regarding suspicious transactions and develop internal regulations that comply with these legal requirements while ensuring that information can still be shared with relevant authorities. This

change effectively addresses the concern of customer tipping-off while still upholding the integrity of reporting obligations.

#### *Weighting and conclusion*

70. Article 6 of the amended AML/CFT law partially addresses deficiencies found under c.21.1 of the 2023 MER but does not cover provision to extend safe harbor protection even if the person filing the report did not know precisely what the underlying criminal activity was, and regardless of whether the illegal activity actually occurred. The provision regarding extending legal protection from both civil and criminal liability to informants, experts, witnesses, and their family members is unclear, and exceeds the intended scope of legal protection. Article 29 (Transaction Deferral) of the 2015 AML/CFT law has been removed, eliminating the requirement to defer transactions suspected of ML/TF for three working days.

71. ***Recommendation 21 is re-rated largely compliant.***

#### ***Recommendation 29 [R.29] (Originally rated partially compliant)***

72. Lao PDR was rated PC for R.29 in its 2023 MER. The report noted the statutory basis of AMLIO permits interference in its operational activities on the basis that it is under ideological and political supervision-leadership of, and receives its budget from, the Bank of Lao PDR did not have an autonomous operational budget. AMLIO's operational and strategic analysis is limited. Further remaining gaps include, the lack of staff security clearance procedures, limited access to information technology systems and that disseminating information using electronic means does not explicitly require dedicated, secure, and protected channels.

73. **Criterion 29.1 is met.** No specific deficiencies were identified in 2023 MER.

74. **Criterion 29.2 is partly met.** The 2023 MER found that the law of Lao PDR requires DNFBPs to report cash transactions but there were no operational arrangements for AMLIO to collect this reporting. The amended AML/CFT Law continues to recognise DNFBPs as REs and stipulate cash transaction reporting obligations in Article 26, where the Bank of Lao PDR remains responsible for determining applicable thresholds for these transactions. The Decision on the Reporting of Cash Transaction Reports which outlines the mandatory cash reporting threshold for DNFBPs has been passed on 02 June 2025 (No. 448/BOL). The review team acknowledges the progress demonstrated; however, this document falls outside the scope of the current reporting period, as it was enacted after 1 October 2024. Therefore, the deficiency under this criterion has not been addressed.

75. **Criterion 29.3 is met.** No specific deficiencies were identified in 2023 MER.

76. **Criterion 29.4 is met.** Lao PDR had deficiencies identified in the 2023 MER relating to the limited operational analysis conducted by AMLIO. Since the 2023 MER, Lao PDR issued a revised version of the Decision on Organization and Operations of the Anti-Money Laundering Intelligence Office, dated 1 October 2024, outlining AMLIO's duties to conduct analysis using a great range of information, including but not limited to STRs, CTRs, and other relevant information related to ML/TF activities (Article 8). In November 2023, a new Standard Operating Procedure (the 2023 SOP) of AMLIO was also issued. The new SOP now clearly articulates AMLIO's functions of conducting tactical, operational and strategic analysis.

77. In relation to the requirements under c.29.4(a), the 2023 SOP provides comprehensive procedures on AMLIO's operations, enabling AMLIO: (1) to use multiple sources of information and request information from investigation authorities, foreign financial intelligence agencies, and others to establish financial intelligence reports for dissemination to investigators (Section 2.2 of the 2023 SOP); and (2) to access various domestic databases, public sources, world check databases, and foreign FIUs, in developing in-depth operational analyses to identify specific targets, follow the trail of suspected ML/TF activities, and to determine links between targets and proceeds of crime (Sections 2.3.3, 2.3.4, and 2.3.7 of the 2023 SOP).

78. Furthermore, the 2023 SOP (Section 2.5) provides details on how AMLIO conducts annual strategic analysis, using the accessible information and statistics, to identify ML/TF trends and develop a policy to counter such trends proportionate with the situation in the country. If there is a need to perform activities, a strategic analysis would be conducted to meet the needs of activities in each period. Lao PDR also reported that AMLIO's analysts has participated in the Financial Intelligence Analysis Course (FIAC) organized by AUSTRAC and several analysis courses organized by the ILSTA and the UNODC including bilateral exchange with others FIUs.

79. Overall, as AMLIO demonstrates its efforts in improving the capability and skills of its analysts to support the operational and strategic analysis through the issuance of the 2023 SOP, the 1 October 2024 Decision and the proactive involvement in various training, the deficiencies under this criterion have been fully addressed.

80. **Criterion 29.5** is *met*. The 2023 MER identified a lack of clarity regarding the security and protection of electronic channels used for disseminating information. The amended AML/CFT Law, specifically Articles 48(10) and (11), assigns the AMLIO the responsibility for securely disseminating information and analyses related to STRs both spontaneously and upon request.

81. The obligation of protecting the confidentiality of the information is now explicitly outlined under the Decision on Organization and Operations of the Anti-Money Laundering Intelligence Office No. 18/NCC, issued on 1 October 2024. Article 8 of the Decision requires AMLIO: (1) to create and maintain their database system as modern and secure, including the information sharing platform with relevant sectors; and (2) to create and develop software, and use the new technology to support the intelligence analysis as needed.

82. Furthermore, AMLIO has also implemented a Data Sharing Platform enabling prompt and secure exchanges of information with relevant authorities which incorporates robust security measures, including encryption protocols, firewalls, and advanced IT tools like CA and Fortinet. The platform facilitates the information exchange among agencies in line with established information-sharing principles outlined under the 2023 SOP. Overall, Lao PDR demonstrates efforts in enhancing the protection of confidentiality of the information disseminated to competent authorities by explicitly outlining this obligation under the AMLIO's regulatory framework and its 2023 SOP and implementing a secured data sharing platform into its operations. The deficiency under this criterion is fully addressed.

83. **Criterion 29.6** is *mostly met*. The 2023 MER highlighted that there was no legal obligation for staff at the FIU to obtain security clearances, nor was there a documented process defining how these clearances should be managed. Furthermore, it was also unclear if an IT system security policy exists or if measures were in place to restrict access to sensitive information. Since the 2023 MER, as per Article 4 of the amended Decision on the Organization and Operations of the Anti-Money Laundering Intelligence Office (AMLIO),

specific responsibilities related to employee discipline are outlined. Although it grants AMLIO the authority to restructure roles and apply disciplinary measures, it does not necessitate that staff possess required security clearances.

84. Furthermore, there is an absence of a procedural document governing the security clearance process for AMLIO employees. Regarding information access and IT security, a new policy titled “Policy on AMLIO Data Management and Entry — Exit Analysis Division and Server Room No:726/AMLIO” was issued on April 12, 2024.

85. Further, Lao PDR provides information to the review team, that in practice, AMLIO has recently expanded its personnel, ensuring that adequately trained and qualified staff handle sensitive information. Regarding IT system security, referring to the information provided by Lao PDR, in practice, the current infrastructure has been assessed and is considered suitable for managing suspicious transaction reports and other critical data.

86. However, the review team has not received comprehensive details on the IT security policy and/or procedures, or other the specific measures established to protect and manage digital information access. Therefore, this criterion remains *mostly met*.

87. **Criterion 29.7** is *met*. As pointed out in the 2023 MER, the AMLIO lacked the independence and autonomy necessary to effectively perform its functions and responsibilities, particularly in relation to Article 2 of the 2021 Agreement on the Organization and Operations of the AMLIO No. 07/NCC. The amendments to the AML/CFT Law (Article 47) and the Decision on Organization and Operations of AMLIO on 1 October 2024 (Article 2) now provide clarity on the status of AMLIO within the Bank of Lao PDR (an organization equivalent to Department), including its role as the secretariat of the NCC to supervise, monitor, and control the implementation of AML/CFT. These amendments now cover the scopes of AMLIO’s duties and responsibilities to operate its functions in AML/CFT as required under c.29.7(a) – (d).

88. The amended AML/CFT Law (Article 47) and the amended Decision on the Organization and Operations of AMLIO (effective October 1, 2024) define AMLIO's mandate as the secretariat of the National Coordination Committee (NCC) for supervising, monitoring, and controlling AML/CFT implementation. The appointment and dismissal of the AMLIO Director General personnel by the Prime Minister, based on NCC recommendations (Article 47 of the amended AML/CFT Law).

89. Under Article 48 of the amended AML/CFT Law and corresponding articles in the Decision, AMLIO is now empowered to carry out its AML/CFT functions, in line with the requirement under c.29.7(a). This includes the authority to: (1) Request and gather information related to ML and counter-terrorism financing from various entities (Article 48(9)); (2) Analyse data and produce financial intelligence reports (Article 48(10)); (3) Disseminate information regarding suspicious transaction reports (STRs) to relevant domestic and international agencies (Article 48(11)).

90. To facilitate national AML/CFT policies and information exchange, AMLIO is now empowered to cooperate with various sectors and initiate international collaboration (Article 48(14, 15); Article 3(10, 11) of the Decision). This power is aligned with the requirement under c.29.7(b). Furthermore, as noted above, AMLIO is an organization equivalent to Department within the Bank of Lao PDR. Articles 3 and 4 of the 2024 Decision empower AMLIO with certain rights and responsibilities. Furthermore, AMLIO also clarifies that its decision-making processes and core functions remain distinct from the Bank of Lao, allowing it to execute its mandates in line with AML/CFT objectives (c.29.7(c)).

91. AMLIO clarified to the review team that its role as the secretariat to the NCC in implementing AML/CFT functions requires them to directly seek and report to the Chairman of NCC (Deputy Prime Minister). However, the role of AMLIO as the NCC Secretariat is different from its function as an FIU. As the secretariat of NCC, AMLIO provides more broadly assistance to the NCC covering macroeconomic aspect and as a focal point for stakeholders' coordination ensuring the effective outcome of Lao PDR's AML/CFT implementation. In terms of executing its role as an FIU, AMLIO directly operates independently including as the central agency, receiving reports, analysing and disseminating financial intelligence, and exchanging information with relevant domestic and foreign partners, without having to seek permission or consent from the chair of the NCC (Clauses 5 and 6, Article 3 of the AMLIO Agreement 2024).

92. As required under c.29.7(d), the FIU should be able to obtain and deploy its resources independently and autonomously. The recent amendments to the AML/CFT Law (Article 49) and the 2024 Decision (Article 3 paragraph 12, Article 4 paragraph 7 and Article 7) grant AMLIO the authority to plan, manage and utilize its budget to carry out its activities. The 2024 Decision mandates that AMLIO can restructure its organisation and manage staffing as per regulatory requirements (Article 4 paragraph 8)).

93. **Criterion 29.8** is *met*. No specific deficiencies were identified in 2023 MER.

#### *Weighting and conclusion*

94. Lao PDR has undertaken strategic efforts in addressing the deficiencies under R.29, through the enactment of the amended AML/CFT Law, the 2023 SOP for AMLIO, and the 1 October 2024 Decision. These amendments to legislative, regulatory and operational frameworks now empower AMLIO: (1) to conduct tactical, operational and strategic analysis using various information and databases and having skillful analysts; and (2) to enhance the protection of confidentiality of the information disseminated to competent authorities by implementing a secured data sharing platform into its operations.

However, the deficiencies under this Recommendation have not been fully addressed: (1) the absence of cash reporting regulation for DNFBPs outlining the designated threshold for cash transactions; (2) lack of specificity in the requirement for AMLIO staff to have the necessary security clearance levels; and (3) lack of detailed information on the requirements of the IT system, security policy or measures regarding information access.

95. **Recommendation 29** re-rated *largely compliant*.

#### *Recommendation 31 [R.31] (Originally rated partially compliant)*

96. Lao PDR was rated PC for R.31 in its 2023 MER. The report noted there were broad powers for law enforcement investigators to obtain and access to records held by FIs and DNFBPs. However, there were no legal provision for specific investigative techniques on undercover operations, intercepting communications, accessing computer systems, and controlled deliveries beyond those granted to the police as part of the professional public security forces. Weaknesses with special powers were given particular weight in the context of Lao PDR's risk profile (e.g. transnational drug trafficking or wildlife trafficking cases or corruption cases).



97. **Criterion 31.1** is *met*. The 2023 MER identified that the powers in the Decree of Entrust to request information were found to be broad and non-mandatory (c.31.1(a)). The amended AML/CFT law, specifically Article 30, now grants investigative and supervisory agencies, as well as authorized entities, mandatory access to records and information related to enterprise registration, ownership, beneficial ownership, and internal management structures. This change effectively addresses the deficiency highlighted in the 2023 MER.

98. **Criterion 31.2** is *mostly met*. As described in the 2023 MER, the legal framework lacked explicit provisions for conducting undercover operations and controlled deliveries by competent investigative authorities. The Law on People Security Forces No. 20/NA (Amended version) now covers all professional and semi-professional public security forces in Lao PDR that have a role to protect the political stability, peace and social order in the country, and grants broad investigative powers to them.

99. Under Article 12 (Paragraphs 2 and 10), public security forces conducting investigation are able to (1) Search, gather, research, analyse, and use the information-news that relates to the work on protecting political, economic and social peace; and (2) Monitor and check the frequency waves, electronic businesses, information-news management and computing systems as determined in the law. These powers are considered aligned with the requirements under c.31.2(b) and c.31.2(c).

100. In regard to deficiencies under c.31.2(a), although Article 13 of the Law on Public Security Forces (Amended version) includes duties that suggest an understanding of undercover operations, such as: (i) Detection of crimes (paragraph 8); (ii) Combat and suppression of crimes (paragraph 9); and (iii) Prevention of transnational crimes, terrorism, money laundering, and TF; however, there is still no explicit legal provision outlining the power of undercover operations.

101. In terms of the ability of public security forces in Lao PDR conducting investigations through controlled delivery, Article 13 (Paragraphs 9 and 11) of the Law on Public Security Forces (Amended version) now addresses the deficiency identified in the 2023 MER. The public security forces have the power to: (1) combat and suppress crimes; check, control and facilitate the water, land and rail traffic; combat and suppress arson and disaster; and (2) facilitate, control, monitor and check the arrival and departure from Lao PDR, manage foreigners and tourists; which could imply authority for controlled deliveries.

102. **Criterion 31.3** is *met*. No specific deficiencies were identified in 2023 MER.

103. **Criterion 31.4** is *met*. No specific deficiencies were identified in 2023 MER.

### *Weighting and conclusion*

104. Following the 2023 MER, Lao PDR clarified the intent behind its amended legislation. For criterion 31.1, the identified deficiency in the 2023 MER is minor, as investigative authorities possess the necessary powers for compliance. The amended AML/CFT Law demonstrates that the deficiency noted in the 2023 MER under this criterion has been addressed. Regarding criterion 31.2, Lao PDR has made efforts to address previously identified deficiencies. The Law on Public Security Forces (Amended version) No. 20/NA outlines duties for law enforcement agencies that align with investigative powers, but it lacks the specificity on the power of conducting undercover operations, as required by criterion 31.2. Given these actions and the remaining minor deficiency, R.31 is re-rated to largely compliant.

105. **Recommendation 31 is re-rated largely compliant.**

**Recommendation 38 [R.38] (Originally rated partially compliant)**

106. Lao PDR was rated PC for R.38 in its 2023 MER. The report noted competent authorities in Lao PDR have the authority under the Criminal Procedure Act, Law on International Cooperation, and mutual legal assistance (MLA) treaties and agreements to identify, freeze, seize and confiscate the proceeds of crime in response to MLA requests. They could also coordinate seizure and confiscation and share confiscated property with other countries. There were moderate shortcomings as Lao PDR could not execute non-conviction-based confiscation orders and had limitations in the scope of criminal assets that could be seized and confiscated under an MLA request. While there were mechanisms for managing property confiscated under an MLA order, there were no mechanisms for disposing of property frozen, seized or confiscated.

107. **Criterion 38.1** is *met*. The 2023 MER identified that MLA for the freezing and confiscating of assets did not include tax offences, the scope of assets that can be seized or confiscated is limited by the deficiencies identified in R.4, and for instrumentalities of crime a range of requests are excluded. Since the 2023 MER, Article 11 of the amended AML/CFT Law expands the scope of predicate offences by including tax crimes and violation of customs and tax regulation as predicate offences to money laundering, and Articles 36 provides Lao PDR's relevant investigative officers the power to immediately detain, seize, or freeze proceeds or assets detected, found or suspected related to ML/TF.

108. Further, Article 37 empowers the investigating officers to confiscate funds relating to predicate offences and ML/TF. Article 3 expanded the definition of 'funds' which rectified the deficiencies regarding instrumentalities of a non-financial nature. These amendments address the gaps identified under R.3, particularly the limitations identified in relation to the definition of ML offence, coverage of predicate offences and the definition of proceeds of crime to a greater extent. Article 37 of the amended AML/CFT Law expands the authority of relevant agencies to confiscate listed funds as required under R.4. The amended provisions also extend to provisional measures for property of corresponding value.

109. Article 36 of the amended AML/CFT Law expands the power of competent authorities to seize and freeze of funds or assets used in, or intended or allocated for terrorist, terrorist organisations, natural person and a legal person. It also outlines the power of relevant investigative officers to identify, trace, and evaluate property that is subject to confiscation. The power of confiscation done by competent authorities, according to Article 37 of the amended AML/CFT Law, now extends to the confiscation of property for TF, terrorist acts, and terrorist organisation, not limited to an attempted TF offence only. Article 37 also enables the confiscation of funds of corresponding value related to predicate offences.

110. **Criterion 38.2** is *met*. The 2023 MER found that Lao PDR authorities could not enforce a foreign non-conviction-based confiscation order. However, the Law on International Cooperation for Criminal Matters No. 88/NA provides the scopes of international cooperation for MLA in criminal matters, including information collection; providing evidence; participation of individuals to the requesting state; and searching, seizure and provide evidence; seizure and freezing; and confiscations of assets and items.

111. Articles 36 and 37 of the amended AML/CFT Law provides Lao PDR the power for non-conviction-based confiscation domestically, and Article 37 specifically states that a Court can pass decision for the confiscation on ‘sufficient evidence’ alone (i.e. no necessity for a conviction). Article 26 of the Law on International Cooperation notes that if the case of property has not yet issued a confiscation order, the relevant offices shall issue the orders on seizing or freezing such assets before the relevant People’s Court Offices shall inform the Court to make consideration. Lao PDR informs the review team that this procedure is an implementation mechanism done by respective authorities in responding to the request of a foreign state in a timely manner and can be used if the court or official of the requesting state is in the situation.

112. Further, Lao PDR issued a manual regarding principles, mechanisms and procedures of responding foreign request on the seizure of assets and objects. The manual was developed by the Supreme People's Prosecutor of Laos as the central authority for mutual legal assistance. Chapter 3 comprehensively describes how to receive and consider requests for mutual legal assistance in criminal matters from the Lao PDR.

113. **Criterion 38.3** is *met*. The 2023 MER highlighted that Lao PDR’s legal framework did not include specific provisions for the disposal of property that has been frozen, seized, or confiscated. However, the Law on Criminal Procedure and the Instruction on Application of Provisional Measures for Money Laundering/Terrorist Financing (ML/TF) provide guidelines for the management of seized or frozen assets involved in Mutual Legal Assistance (MLA) requests (Article 20). According to the Instruction, authorities must store and maintain the value of seized property (Article 7). However, there remains a lack of explicit provisions for the disposal of such property.

114. Since the 2023 MER, Lao PDR enacted the Law on Criminal Procedure (2022) and the associated Instruction on Application of Provisional Measures for ML/TF apply to the management and protection of seized or frozen assets that are subject to an MLA request. Authorities are required to store and manage property seized to ensure the value of property is maintained. The Decree on Property Frozen, Seized or Confiscated No. 208/Gov under Articles 12-15 provides Lao PDR the power to protect seized property, confiscated property, sell rapidly deteriorated property and sell property that is difficult to protect. Further, Articles 24, 25-26 & 30 of this decree set out many aspects of ‘mechanisms for managing, and when necessary, disposing of, property frozen, seized or confiscated’.

115. **Criterion 38.4** is *met*. There were no deficiencies identified in the 2023 MER.

#### *Weighting and conclusion*

116. Since 2023, Lao PDR has revised its AML/CFT law to address the deficiencies related to the limited scope of criminal assets and the definition of predicate crimes and including tax crimes as one of predicate crimes. Additionally, Lao authorities have demonstrated the availability of mechanisms of enforcing a foreign non-conviction-based confiscation order.

117. **Recommendation 38** is *re-rated compliant*.

#### IV. CONCLUSION

118. Overall, Lao PDR has made progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated to C on R.11 and R.20, and LC on R.3, R.5, R.21, R.31, and R.38

119. A summary table setting out the underlying deficiencies for each of the recommendations assessed in this report is included at Annex A.

120. Overall, in light of the progress made by Lao PDR since its MER was adopted, its technical compliance with the FATF Recommendations as follows as of the reporting date 1 October 2024:

R.	Rating	R.	Rating
1	PC (2023 MER)	21	PC (2023 MER); ↑ LC (2024 FUR)
2	LC (2023 MER)	22	PC (2023 MER)
3	PC (2023 MER); ↑ LC (2024 FUR)	23	NC (2023 MER)
4	PC (2023 MER)	24	NC (2023 MER)
5	NC (2023 MER); ↑ LC (2024 FUR)	25	NC (2023 MER)
6	PC (2023 MER)	26	PC (2023 MER)
7	PC (2023 MER)	27	LC (2023 MER)
8	NC (2023 MER)	28	NC (2023 MER)
9	LC (2023 MER)	29	PC (2023 MER), ↑ LC (2024 FUR)
10	PC (2023 MER)	30	LC (2023 MER)
11	PC (2023 MER); ↑ C (2024 FUR)	31	PC (2023 MER); ↑ LC (2024 FUR)
12	NC (2023 MER)	32	LC (2023 MER)
13	LC (2023 MER)	33	PC (2023 MER)
14	PC (2023 MER)	34	NC (2023 MER)
15	NC (2023 MER)	35	PC (2023 MER)
16	PC (2023 MER)	36	PC (2023 MER)
17	N/A (2023 MER)	37	LC (2023 MER)
18	LC (2023 MER)	38	PC (2023 MER); ↑ C (2024 FUR)
19	PC (2023 MER, 2024 FUR)	39	PC (2023 MER)
20	PC (2023 MER); ↑ C (2024 FUR)	40	PC (2023 MER)

121. Lao PDR has 16 Recommendations rated C/LC.

*Summary of Technical Compliance –Deficiencies underlying the ratings <sup>3</sup>*

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating <sup>4</sup>
3. Money laundering offence	PC (2023 MER); ↑ LC (2024 FUR)	<ul style="list-style-type: none"> <li>Article 56 limits criminal measures solely to natural persons guilty of ML, leaving a gap regarding the penalties applicable to legal persons. Article 89 of Penal Code No. 26/NA establishes criminal liability for legal persons when offences are committed on their behalf or in their interest. The criminal liability of legal persons does not absolve the liability of the individuals acting on their behalf, as noted in Article 89 of the Penal Code (c.3.10).</li> </ul>
5. Terrorist financing offence	NC (2023 MER); ↑ LC (2024 FUR)	<ul style="list-style-type: none"> <li>The imprisonment and fines, for natural persons convicted of a TF offence is deemed insufficiently dissuasive. lacks clarity on the feasibility and impact of property confiscation regarding the overall dissuasiveness of criminal sanctions for TF offences (c.5.6).</li> <li>The fines imposed on legal persons are neither proportionate nor dissuasive (c.5.7).</li> </ul>
19. Higher-risk countries	PC (2023 MER, 2024 FUR)	<ul style="list-style-type: none"> <li>The specific countermeasures to be taken when dealing with clients from FATF-designated high-risk countries remain unclear (c.19.2).</li> <li>The law does not explicitly define the role of the AMLIO or other authorities in advising reporting entities regarding high-risk countries within their AML/CFT frameworks (c.19.3).</li> </ul>
21. Tipping-off and confidentiality	PC (2023 MER); ↑ LC (2024 FUR)	<ul style="list-style-type: none"> <li>The law's scope of protection extends to informants, witnesses, experts, and family members, even though these parties are not mandated to report suspicious activities, creating ambiguity in the protection framework. While this broader provision exceeds FATF standards, there is a lack of clarity regarding the consequences for individuals who improperly disclose information (c.21.1).</li> </ul>

<sup>3</sup> Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

<sup>4</sup> Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.



Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating <sup>4</sup>
29. Financial intelligence units	PC (2023 MER), ↑ LC (2024 FUR)	<ul style="list-style-type: none"> <li>• No regulation determining applicable thresholds for CTR obligations for DNFBPs (c.29.2)</li> <li>• Although AMLIO has the power to restructure roles and apply disciplinary measures, it is unclear that staff possess required security clearances (c.29.6).</li> <li>• Despite its role as the NCC's secretariat, AMLIO's operational independence in executing its tasks is questionable, as it reports all operational activities directly to the Chairman of the NCC. Additionally, it is uncertain whether AMLIO has separate operational functions from those of the Bank of Lao (c.29.7).</li> </ul>
31. Powers of law enforcement and investigative authorities	PC (2023 MER); ↑ LC (2024 FUR)	<ul style="list-style-type: none"> <li>• Lack clarity regarding the specific authority to conduct undercover operations or controlled deliveries as outlined in criterion c.31.2.</li> </ul>