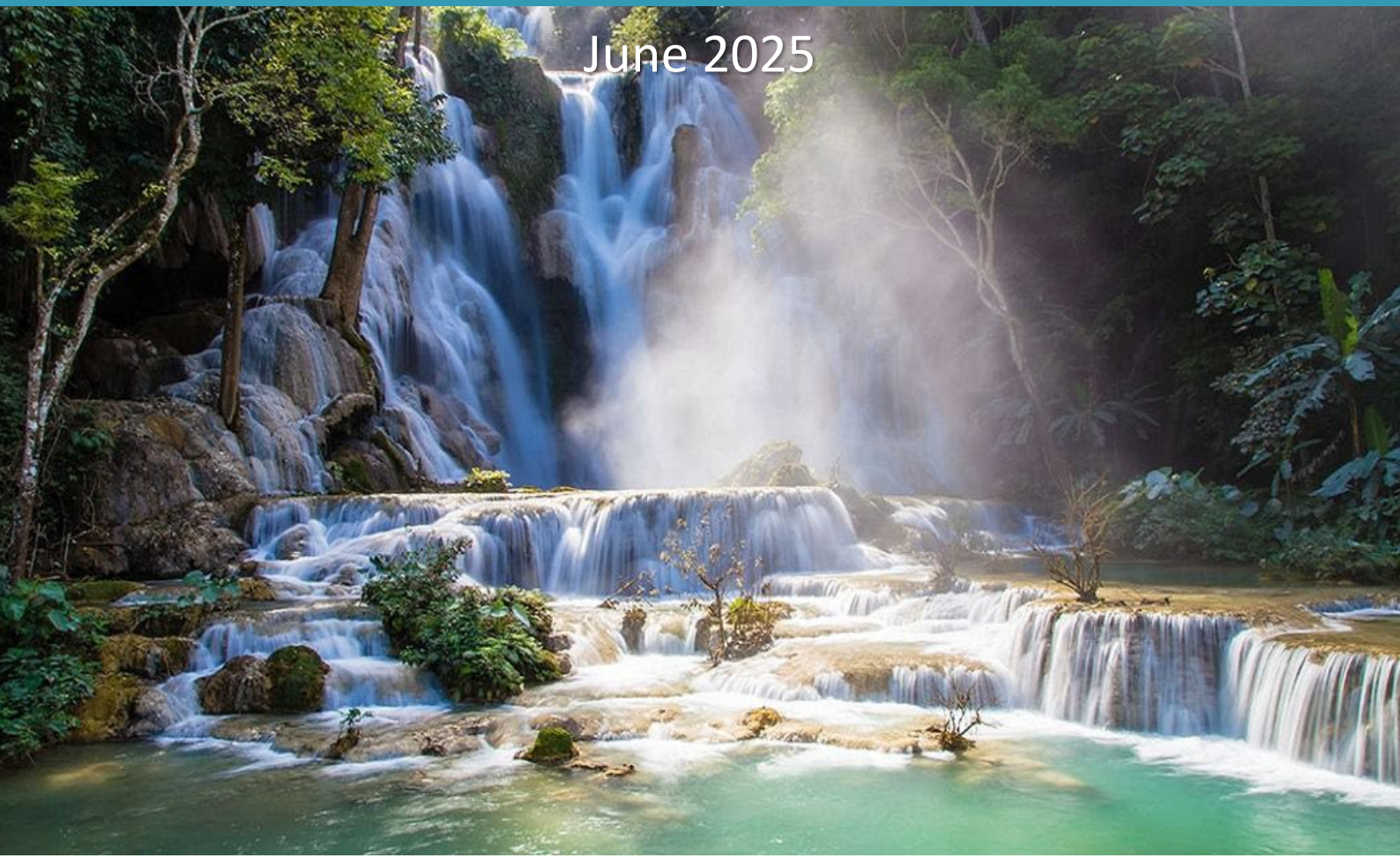




2nd Enhanced (Expedited) Follow-Up Report

Mutual Evaluation of Lao PDR

June 2025





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Cover image: Kuang Si Waterfalls, Lao PDR.

LAO PDR FUR JUNE 2025

LAO PDR

2ND ENHANCED (EXPEDITED) FOLLOW-UP REPORT 2025

I. PURPOSE

1. In accordance with the APG Global Fourth Round Transitional Follow-Up Procedures, this report presents the APG review team's analysis of Lao PDR's second follow-up report (FUR).

Key findings

- Lao PDR has requested a re-rating of Recommendation 19 and made some progress in addressing the technical compliance deficiencies identified in its 2023 Mutual Evaluation Report. However, this progress remains insufficient to warrant a re-rating of Recommendation 19.

Recommendations for members

It is recommended that:

- Lao PDR report as part of the APG's follow-up process in accordance with the APG Global Fourth Round Transitional Follow-Up Procedures.

II. INTRODUCTION

2. The mutual evaluation report (MER) of Lao PDR was adopted in July 2023.

3. This FUR analyses the progress of Lao PDR in addressing the technical compliance requirements of the recommendation being re-rated.

4. This report does not analyse any progress Lao PDR has made to improve its effectiveness.

5. The assessment of Lao PDR's request for technical compliance re-ratings and the preparation of this report was undertaken by the following expert:

- *Pompisey Phat, the Cambodia Financial Intelligence Unit (CAFIU), Cambodia*

6. The preparation of the report was supported by Alex Neville and Sylvia Deutsch of the APG Secretariat, with additional support from other Secretariat members.

7. 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.

III. FINDINGS OF THE MUTUAL EVALUATION REPORT

8. Lao PDR current ratings¹ 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	LC (2023 MER; 2024 FUR)
2	LC (2023 MER)	22	PC (2023 MER)
3	LC (2023 MER; 2024 FUR)	23	NC (2023 MER)
4	PC (2023 MER)	24	NC (2023 MER)
5	LC (2023 MER; 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	LC (2023 MER; 2024 FUR)
10	PC (2023 MER)	30	LC (2023 MER)
11	C (2023 MER; 2024 FUR)	31	LC (2023 MER; 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	C (2023 MER; 2024 FUR)
19	PC (2023 MER; 2024 FUR)	39	PC (2023 MER)
20	C (2023 MER; 2024 FUR)	40	PC (2023 MER)

9. Given these results and the effectiveness ratings, Lao PDR is on enhanced (expedited) follow-up.²

IV. PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

10. In keeping with the APG ME Procedures, this FUR considers progress made up until 1 June 2025 and considers progress to address the deficiencies identified in the MER and the entirety (all

¹ 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.

² There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Global Fourth Round Transitional Follow-up Procedures.

criteria) of each Recommendation under review. This report does not address the progress Lao PDR has made to improve its effectiveness.

11. 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.

12. Lao PDR requested a re-rating of R.19 (which was rated PC).

13. The APG acknowledges the steps undertaken by Lao PDR to enhance its technical compliance with R.19. However, the expert reviewer has concluded that, while these developments are noted, the progress achieved by the reporting deadline of 1 June 2025 remains insufficient to warrant a re-rating for this Recommendation.

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

14. Lao PDR was rated PC for R.19 in its 2023 MER, and this rating remained unchanged in the 2024 FUR. The 2024 FUR noted that Lao PDR's legal and regulatory framework did not establish specific countermeasures, nor did it clearly define the roles of AMLIO or other competent authorities in advising reporting entities (REs) on jurisdictions with higher ML/TF risk. Remaining deficiencies included the absence of clearly articulated countermeasures and guidance on their scope and application, as well as insufficient clarity regarding REs' obligations to apply countermeasures proportionate to risk. Lao PDR was also unable to independently identify high-risk jurisdictions and imposed countermeasures based on its own risk assessments. Additionally, there were no formal mechanisms for competent authorities to systematically inform financial institutions (FIs) about high-risk jurisdictions or communicate jurisdiction-specific AML/CFT concerns in a timely and consistent manner.

15. **Criterion 19.1** is *met*. No specific deficiencies were identified in the 2024 FUR, and the analysis is current.

16. **Criterion 19.2** is *partly met*. The 2024 FUR found that the term 'countermeasures' was undefined, and no guidance had been issued to clarify its scope, or application. The obligation for REs to apply proportionate countermeasures to transactions or business relationships involving high-risk jurisdictions was not clearly articulated. The FATF was not explicitly identified as the relevant 'international organisation' for designating such jurisdictions. Furthermore, references in domestic legislation to "high-risk jurisdictions as per international organisations listed from time to time" did not demonstrate that Lao PDR could independently identify high-risk jurisdictions or impose appropriate countermeasures based on its own national risk assessment.

17. Since its 2024 FUR, Lao PDR has taken some steps to address these gaps by issuing additional regulatory instruments:

- On 3 March 2025, the Bank of Lao PDR issued Notification No: 382/AMLIO instructing FIs, designated non-financial institutions, and payment service providers to enhance monitoring and apply appropriate measures when conducting transactions or establishing business relationships with entities located in jurisdictions subject to FATF's increased monitoring or call for action lists. However, the notification incorrectly cites Article 34 of the Agreement on Measures to Combat Money Laundering and the Financing of Terrorism for Reporting Entities (Amended) – a provision relating to recordkeeping – which is not relevant to the application countermeasures. The incorrect reference may affect the clarity and enforceability of the instruction.
- On 29 May 2025, Lao PDR amended the Agreement on Customer Due Diligence (CDD) Measures for Reporting Entities (No. 11/NCC). Article 21 introduces enhanced due diligence (EDD) measures for high-risk customers identified through a risk-based approach, while Article 32 requires REs to apply countermeasures to customers from FATF-listed high-risk jurisdictions (blacklist and grey list), proportionate to the level of risk. The provision also mandates REs to

implement any additional measures set by the FATF or AMLIO, and to adjust internal risk assessments in response to updated FATF designations or AML/CFT risks.

- On 27 August 2025, AMLIO issued a Notification Letter No. 1710.1/AMLIO to all REs, aligning its content with the amended Agreement on Customer Due Diligence Measures for Reporting Entities No. 11/NCC. However, in accordance with Paragraph 1.11 of the APG Global Fourth Round Transitional Follow-Up Procedures, progress made after the reporting deadline of 1 June 2025 is not considered within the scope of this FUR.

18. While these developments represent progress, Lao PDR has only partially addressed the deficiencies under c.19.2. The new provisions primarily emphasise EDD and the application of countermeasures for customers from FATF-listed high-risk jurisdictions, but do not establish a comprehensive or proportionate range of countermeasures as envisaged under c.19.2(a).³ Furthermore, there remains no formal mechanisms empowering Lao PDR, via AMLIO, to independently identify jurisdictions as high-risk or to impose countermeasures based on domestic risk assessments as required under c.19.2(b).

19. In addition, although the revised Decision on Organization and Operations of AMLIO does not explicitly refer to the FATF, Articles 3 and 10 refer to "... high-risk jurisdictions designated by international organization." Lao PDR has clarified to the review team that this reference is intended to include the FATF. Accordingly, the term "international organization(s)" is considered sufficiently broad to encompass the FATF.

20. **Criterion 19.3** is *partly met*. The 2024 FUR noted key shortcomings under this criterion. There were no explicit legal or regulatory obligations requiring AMLIO or other competent authorities to consistently communicate concerns regarding the AML/CFT deficiencies of other jurisdictions. Additionally, there was no established mechanism to ensure that FIs are informed of jurisdictions subject to enhanced risk or countermeasures. The absence of formal protocols limited the timely, consistent, and transparent dissemination of information regarding international AML/CFT risks, including updates to relevant ML/TF-related lists.

21. On 3 March 2025, AMLIO issued Notification Letter No. 382/AMLIO to REs supervised by the Bank of Lao PDR, instructing them to apply enhanced scrutiny and appropriate measures when dealing with jurisdictions subject to FATF's increased monitoring or Call-for-Action lists. However, the scope of this notification remains limited and not fully consistent with the requirements of c.19.3, as it does not extend to jurisdictions with strategic AML/CFT deficiencies that are not identified by the FATF. Furthermore, there is no evidence that similar notifications were issued to REs supervised by other competent authorities (e.g., in the insurance, casinos, securities, the real estate sector, notaries, law firms, etc.). The notification also incorrectly cites Article 34 of the Agreement on Measures to Combat Money Laundering and the Financing of Terrorism for Reporting Entities (Amended) – a provision relating to recordkeeping – which is not relevant to the application countermeasures. This incorrect reference may affect the clarity and enforceability of the instruction. Overall, these gaps limit the consistent dissemination of information on high-risk jurisdictions and the uniform application of countermeasures across all sectors, as envisaged under c.19.3.

22. Additionally, AMLIO issued two further notification letters in late August 2025 (Notifications No. 1710.1/AMLIO and No. 1682/AMLIO) addressed to a wider range of REs. However, as these were issued after the FUR submission deadline (1 June 2025), in accordance with paragraph 1.11 of the APG Global Fourth Round Transitional Follow-Up Procedures, they cannot be considered in the current assessment.

23. Overall, the review team noted that key deficiencies remain unaddressed. There is no explicit mandate for AMLIO to advise REs of concerns about weaknesses in the AML/CFT systems of other

³ Lao PDR reported that AMLIO has initiated steps to develop more detailed regulations requiring REs to apply countermeasures to jurisdictions identified as high-risk. These measures are expected to be finalised by the second quarter of 2026. As the proposed regulations were not completed or in force/effect by the 1 June reporting deadline, they cannot be considered in this FUR and will be reviewed in future reporting, once in place.

jurisdictions, nor are there established mechanisms or protocols to ensure the timely and systematic dissemination of such information.⁴ In the absence of these measures, REs may lack the necessary information to implement appropriate and proportionate mitigating measures, limiting Lao PDR’s compliance with c.19.3.

Weighting and conclusion

24. Lao PDR has taken some steps to improve its legal and institutional framework through the 2025 amendment to the Agreement on CDD Measures for REs (No.11/NCC) and the 2024 Decision (No. 18/NCC) on the organisation of AMLIO, which provide a basis for applying EDD and implementing countermeasures for high-risk jurisdictions. The authorities also indicated that REs receive notifications of high-risk jurisdictions through the STR and CTR reporting systems and are required to apply enhanced measures, including obtaining senior management approval, gathering additional information, conducting ongoing monitoring, and filing STRs. However, the scope of countermeasures is not clearly defined and limited to the jurisdictions subject to a FATF call for action, with no evidence of proportionate measures being applied to other high-risk jurisdictions in line with the level of risk. Lao PDR has not conducted independent risk assessments to identify such jurisdictions without relying on FATF or similar international listings. Additionally, there is no explicit mandate or mechanism requiring AMLIO to communicate concerns regarding deficiencies in the AML/CFT regimes of other jurisdictions to all REs.

25. **Recommendation 19 remains rated as partially compliant.**

V. CONCLUSION

26. Overall, Lao PDR has demonstrated progress in addressing the technical compliance deficiencies identified in its 2023 MER and 2024 FUR. However, this progress remains insufficient to warrant an upgrade of the rating for Recommendation 19.

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

28. 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 June 2025:

R.	Rating	R.	Rating
1	PC (2023 MER)	21	LC (2023 MER; 2024 FUR)
2	LC (2023 MER)	22	PC (2023 MER)
3	LC (2023 MER; 2024 FUR)	23	NC (2023 MER)
4	PC (2023 MER)	24	NC (2023 MER)
5	LC (2023 MER; 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	LC (2023 MER; 2024 FUR)

⁴ Lao PDR reported that AMLIO is developing more specific regulations for REs to ensure they are adequately informed of weaknesses in the AML/CFT system. The forthcoming regulation is intended to address the identified deficiencies in REs’ mechanisms, notification procedures, and protocols for timely and transparent communication of international AML/CFT risks. As this measure is expected to be finalised by the second quarter of 2026 and was not enacted or in force/effect by the 1 June reporting deadline, it cannot be taken into account in this Follow-Up Report and will be considered in future reporting, once in place.

R.	Rating	R.	Rating
10	PC (2023 MER)	30	LC (2023 MER)
11	C (2023 MER; 2024 FUR)	31	LC (2023 MER; 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)
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19	PC (2023 MER; 2024 FUR; 2025 FUR)	39	PC (2023 MER)
20	C (2023 MER; 2024 FUR)	40	PC (2023 MER)

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

Summary of Technical Compliance –Deficiencies underlying the ratings⁵

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating ⁶
19. Higher-risk countries	PC (2023 MER, 2024 FUR, 2025 FUR)	<ul style="list-style-type: none"> • Lao PDR has introduced measures that require REs to apply EDD, but the scope of these provisions is largely confined to EDD rather than broader countermeasures. There is an absence of clear guidance or legal obligation to implement specific countermeasures beyond EDD. While Lao PDR can independently identify high-risk jurisdictions and impose countermeasures based on its own risk assessments, without reliance on FATF or similar international listings, there is no documentation or notifications to substantiate the independent exercise of this authority (c.19.2). • There is an absence of a mandate for AMLIO to ensure that REs are advised of concerns about weaknesses in the AML/CFT systems and there are no clear mechanisms for informing REs about jurisdictions identified as high-risk AML/CFT systems independently of international organisations, nor protocols to ensure timely and transparent communication regarding international AML/CFT risks (c.19.3).

⁵ Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

⁶ Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.