

Laos Issues Credit Policy Guidelines for Debt Management during the COVID-19 Crisis

The Bank of Lao PDR (BOL) has issued guidelines to provide relief to debtors affected by the current crisis. The Decision on Policy in respect of Loans to Provide Remedial Measures Due to the Impact of the COVID-19 Pandemic no.238/BOL, dated March 26, 2020, aims to assist individuals and legal entities that have contracted with Lao commercial banks and financial institutions on loan agreements, and for whom the originally agreed upon repayment terms can no longer be met due to the COVID-19 crisis. It encourages commercial banks and financial institutions to apply a series of measures in order to help affected debtors during the crisis.

Commercial banks and financial institutions are additionally provided with a series of relief measures to limit the impact of granting such measures on themselves (although these are not yet sufficiently defined to be of practical application without further clarification and guidance). Commercial banks and financial institutions are also prohibited from profiting from the current situation or using it to manipulate the quality of certain credit.

The guidelines for assisting debtors include:

- ▶ Revising the debt structure of affected debtors by agreeing on new installments for the principal and interest, and revising interest rates to be consistent with the actual condition of the debtors. Accordingly, debtors should be granted a grace period of at least one year to pay the principal and the interest.
- ▶ Providing new loans to debtors and those affected by the virus outbreak in order to help them maintain their business operations.

The BOL also requires commercial banks and financial institutions who implement such measures to devise standardized rules, procedures, and documents for debtors to avail themselves of the remedial measures, and to send a report to the BOL every month detailing any such measures applied for and granted.

Since there are no mandatory provisions for commercial banks and financial institutions to accommodate debtors in the present situation, it is difficult to foresee how effective these voluntary guidelines will be. In addition, many of the measures prescribed in the decision require further clarification, and although further information may come in due course, some may be reluctant to implement until it is available.

However, there will undoubtedly be strong encouragement from the authorities for easing the impact on debtors as much as possible. The Lao government has committed itself to the development of SMEs during recent months, and the present crisis may affect the support that has been provided thus far. The government may therefore move to strengthen these provisions as the situation develops.

For more details on this decision, or on any aspect of Laos' response to the COVID-19 pandemic, please contact Tilleke & Gibbins at lao@tilleke.com or +856 21 262 355.

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Our Commitment to Continuous Client Service

During the COVID-19 outbreak, we are focused on maintaining high-quality client services while ensuring the safety and wellbeing of our team. Over the past several weeks, Tilleke & Gibbins has implemented our Business Continuity Plan across our offices in Cambodia, Indonesia, Laos, Myanmar, Thailand, and Vietnam. The vast majority of our team members are now working remotely, and based on our robust technology infrastructure, we are providing our full range of services as usual. We are now carrying out all client meetings through the use of technology, and, as many of you will have already experienced, this is proving to be a highly effective solution. By implementing a range of technology and agile working measures, we will ensure that you continue to receive the highest quality services with the fastest possible response times from our team. We know that you are facing complex business challenges during this crisis, and we have put together a bank of practical resources tracking the legal developments in the region as they happen—you can access them all at [this link](#). In addition, we want to assure you that our team will be continuously available to help you navigate these issues across Southeast Asia. If you have any queries about these measures, please contact your usual client service partner, or email communications@tilleke.com.

Stay well, safe, and healthy.