

Press Release

Signing Ceremony of Technical Assistance on BASEL II Diagnostic for BCEL between BCEL and Ernst & Young Lao Limited 24/10/2016





On the 24 October 2016, Banque Pour Le Commerce Extérieur Lao Public (BCEL) and Ernst & Young Lao Limited held “a signing ceremony on the Technical Assistance on BASEL II Diagnostic” under the consultancy of Ernst & Young Lao Limited Company.

The contract was honorably signed by:

- ▶ **Mr. Phoukhong CHANTHACHACK, General Managing Director, BCEL;** and
- ▶ **Ms. Duong Nguyen, Partner, Leader of Financial Services for Ernst & Young Laos, Cambodia and Vietnam.**

The ceremony as witnessed by many honorable guests including:

- 1. Mr. SONEXAY SITHPHAXAY, Deputy Governor of the Bank of the Lao P.D.R**
- 2. Dr. Bounleua SINXAYVORAVONG, Chairman of BCEL’s Board of Directors and also Director General of Fiscal Policy Department, Ministry of Finance.**
- 3. Mr. Vankham VORRAVONG
CEO- Lao Securities Exchange**
- 4. Mrs. Phothichanh THAMMATHEVA
Deputy Director General, Bank Supervision Department, the Bank of the Lao P.D.R**
- 5. Mr. Khamkeo VISISOMBATH
Deputy Director General, Securities Exchange Commission Office**
- 6. Mr. Anh Hoang TRINH, Partner of Ernst & Young Laos Limited Company.**

Along with the Directors, Head of Divisions, Branches and related staff of BCEL.

The Technical Assistance for BASEL II Diagnostic Project for BCEL will be implemented and completed within 12 months after the date of contract signing. The scope of the project will cover various important frameworks relating to the capacity building for BCEL to be ready in applying BASEL II standards, such as assessing BCEL's current status, evaluating and preparing on the regulatory readiness, risk management, staff training on BASEL II and other necessary areas.

Mr. Phoukhong CHANTHACHACK, General Managing Director of BCEL gave his speech during the signing ceremony that: "The decision of upgrading from BASEL I to BASEL II is an outstanding phenomenon for BCEL which closes the gap to international standards. The implementation of BASEL II will bring many advantages for BCEL, including:

- BCEL will be able to meet the Minimum Capital Requirement imposed by international standards, which will safeguard BCEL's from insolvency and increase reliability on BCEL's financial status.
- BCEL will focus on risk management analysis in all areas of the bank's business performance. This could support the bank to maximize its business performance capacity and reduce potential risks.
- The move to achieve international standards will prepare the bank to be ready for the ASEAN Financial Integration and to achieve the vision of BCEL to "Become a robust and modernized bank that meets international standards".

Also in the signing ceremony, Ms. Duong Nguyen, Partner, Leader of Financial Services for Ernst & Young Laos, Cambodia and Vietnam, congratulated BCEL on the implementation of the project and added some remarks by emphasizing that the Basel Accords are considered the gold standards for capital regulations in the banking industry, in which, Basel II helps recognizing and encouraging developments in risk management and supervisory practices. She also believes that with the enormous experience of Ernst & Young in providing Basel II consultation services to leading banks in Vietnam such as Vietcombank, Techcombank, as well as to the Bank of Laos and to many other banks in the region, together with BCEL's efforts and cooperation, the project will be successfully implemented.

BASEL Principles is a set of international banking regulations which was firstly introduced in 1988. The purpose of BASEL Principles is to maintain the soundness of the banking system. According to the BASEL I principles, the minimum capital adequacy level is set at 8% to guarantee the liquidity of the banks in the case of insolvency, financial crisis and other situations. BCEL has started the implementation of BASEL I principle since 2008 in order to meet the international standards.

After the financial crisis in 2007, the BASEL Committee on Bank Supervision found that BASEL I has to be revisited in order to cope with the new banking and investment products, which have applied modern technology and contain increased risks in banking activities. It is also found necessary to take operational risks into considerations in the bank soundness analysis. Basel II has three mutually reinforcing pillars, namely, the Minimum Capital Requirement under Pillar I, the Supervisory Review Process which is Pillar II and Market Discipline or Pillar III.

From the regulatory and supervisory point of view, the Bank of the Lao P.D.R has started and prepared for the implementation of the BASEL II requirements as part of the development plan for Laos' Financial Development from 2009-2020 by seeking to improve its legal mechanisms for banking supervision to meet the standards outlined by the BASEL II recommendations. These improvements aim to create a strong and stable banking system in Laos that allows further regional and international integration.